

Government That Works!

NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

SALEM SCHOOL DISTRICT

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MAY, 2000



GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Salem School District

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making state government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the state had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the state at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates which place burdens on local governments without value-added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

THE REVIEW PROCESS

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and agree to an open public presentation and discussion of the review team's findings and recommendations.

As part of each review, team members interview each elected official, as well as employees, appointees, members of the public, contractors and any other appropriate individuals. The review teams examine current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code and independent reports and recommendations previously developed for the governmental entities, and other relative information. The review team physically visits and observes the work procedures and operations throughout the governmental entity to observe employees in the performance of their duties.

In general, the review team received the full cooperation and assistance of all employees and elected officials. That cooperation and assistance was testament to the willingness on the part of most to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the municipality but do represent the cost of the entity's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the entity an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective negotiation process. We believe, however, that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
SALEM CITY BOARD OF EDUCATION**

The Local Government Budget Review (LGBR) unit of the New Jersey Department of the Treasury conducted an extensive study of the Salem City School System in response to a request from the Salem City Board of Education. Some 34 areas were reviewed resulting in various recommendations for cost reduction and/or potential savings for the district. Three areas were selected and recognized as “best practices” along with other commendations cited in the findings and one recommendation for possible state regulatory or statutory reform. The following is an executive summary of the findings, recommendations, and dollar savings, as appropriate:

Comparative Analyses

Legal Fees

It was recommended that the board end its employee/employer relationship with its solicitor and replace it with a professional service contract. The district should also handle certain functions that are presently being done by the solicitor. This will result in estimated savings of \$24,579.

Auditor Fees

A comparison of Salem’s annual audit costs with four similar districts indicated that Salem spent more than three of the districts for auditing services. It is recommended that the district seek proposals from other audit firms to obtain lower rates. This could save the district approximately \$8,581.

School Physician

It is recommended that the relationship between the board and the school physician be changed from an employee/employer relationship to a professional services contractual relationship. This will result in estimated savings of \$8,603.

Surplus

The team found that the district generally has good control over surplus funds. However, if the district had been able to achieve the average surplus in 1996-97 that it did in three prior years, it would have realized an additional \$144,520 of revenue.

Purchasing

It is recommended that the district develop a preventive maintenance program and establish a system to verify all vendor billings for vehicle maintenance. The district should consider negotiating a shared service agreement with the City of Salem for mechanical repairs. This could result in estimated annual savings of \$1,000.

Facilities

The team made the following recommendations based on its review of the district's facilities:

- Relocate the third grade from the elementary school to the middle school to closely align projected enrollment with existing capacity.
- Close or demolish two "California" wings at the elementary school.
- Relocate the Office of the Superintendent to either a district-owned house or the Washington Fire Company building.
- Continue efforts in securing grants from the New Jersey Board of Public Utilities and shared savings contracts to reduce utility costs at the high school.

Implementing the recommendations noted above could result in estimated aggregate savings of \$642,500.

It is recommended the district relocate its central administrative office to either the district-owned house adjacent to the high school or to the Washington Fire Company building at a value-added expense of \$22,000 to \$64,000.

Energy

The district should continue its efforts to secure grants and shared savings contracts to reduce utility costs at the high school for an annual savings of \$45,875.

Administration & Staffing

By eliminating the assistant principal position at the middle school the district could save approximately \$61,500, reducing total administrative cost per pupil.

The district should consider eliminating eight faculty positions at the middle school based on notable decreases in the average class size and student/faculty ratio for a savings of \$252,000.

Athletic Programs

The team found that for the past two school years actual expenditures were below amounts budgeted for school sponsored athletics. Therefore, the district should consider reducing its athletic budget by \$5,000.

Extracurricular Activities

An analysis of extracurricular activities expenditures for the 1996-97 school year revealed that actual expenditures were below amounts budgeted. Based on these findings, the team believes that the budget can be reduced by \$8,000.

Guidance

Special Education

The district could save approximately \$81,600 by offering more in-district instruction to special education students.

Technology*Photocopy Management*

The team suggests that the district consider using the state's cost per copy contract. This could result in estimated savings of \$23,153.

Basic Skills Instruction (BSI)*Special Education Medicaid Initiative (SEMI)*

The team recommends that the district continue its new effort to claim for speech and medical services. This will increase district revenue by approximately \$5,000 per year.

Collective Bargaining Issues*Health Benefits*

The team suggests that the district attempt to negotiate a co-pay on different coverages and negotiate an "other than generic" provision in the insurance agreement. The district should also consider capping prescription costs. These actions could result in savings of \$113,416.

<u>Areas Involving Monetary Recommendations</u>	<u>One-time Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>* Potential Savings</u>	<u>Totals</u>
Comparative Analyses				
Use professional service contract for legal fees		\$24,579		
Reduce auditing fees by seeking different audit firm		\$8,581		
Change physician relationship to professional service contract		\$8,603		
				\$41,763
Surplus				
Achieve the average surplus	\$144,520			
				\$144,520
Purchasing				
Shared service agreement with city for mechanical repairs		\$1,000		
				\$1,000
Facilities				
Relocation of the third grade from JFS to SMS		\$181,500		
Close or demolish two "California" wings	\$461,000			
Relocate board offices		(\$64,000)		
Use grants and shared savings contract to reduce energy costs		\$45,875		
				\$624,375
Administration & Staffing				
Eliminate assistant principal position at middle school		\$61,500		
Eliminate eight faculty positions at middle school		\$252,000		
				\$313,500
Athletic Program				
Reduction in athletic budget		\$5,000		
Reduce extracurricular activities budget		\$8,000		
				\$13,000
Guidance				
Offer more in-district instruction to SE students		\$81,600		

					\$81,600
Technology					
Use the state's cost-per-copy contract		\$23,153			
					\$23,153
Basic Skills Instruction (BSI)					
Continue efforts to claim for speech & medical from SEMI program		\$5,000			
					\$5,000
Collective Bargaining Issues					
<i>Health Benefits</i>					
Negotiate a 20% co-pay for other than single coverage			\$83,916		
Negotiate other than generic provision in prescription plan			\$11,500		
Capping prescription costs			\$18,000		
Total Recommended Savings	\$605,520	\$642,391	\$113,416	\$1,247,911	
*\$113,416 not included in savings of \$1,247,911.					
Total Amount Raised for Municipal Tax					\$1,914,461
Savings as a % of School Tax					65%
Total Budget					\$11,742,871
Savings as a % of Budget					11%
Total State Aid					\$7,938,218
Savings as a % of State Aid					16%

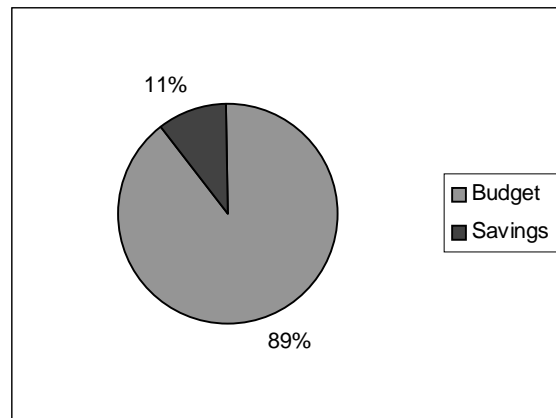
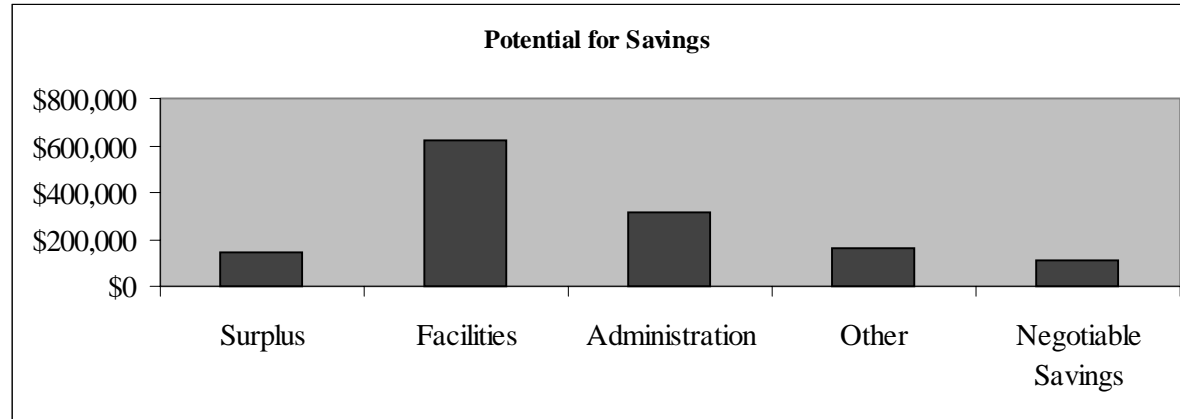


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COMMUNITY OVERVIEW

Salem is a community of approximately 6,850 residents and encompasses about 2.6 square miles. It is the county seat of Salem County. Salem City is part of the 2nd United States Congressional District as well as the New Jersey Senate and Assembly 3rd district. It is located in the southwestern quadrant of the state. The Delaware River borders Salem on the west and it is on a parallel with Delaware City located on the opposite side of the river.

Route 49, an east-west highway that leads directly to the Delaware Memorial Bridge, intersects with Route 45 in Salem. These highways provide reasonably good access even though both roadways are single lanes.

According to the 1990 census, 25% of the population graduated from high school and 4.8% completed college or beyond. Individuals employed in professional sales and managerial positions comprise 7% of the population. Regrettably this area has one of the highest unemployment rates in the state.

Salem has experienced a decrease in overall population since 1970 of approximately 10.4%. The population is 47% white and 53% minority.

Salem is the host community of the county government and home to many county facilities. This generates spin-offs in the form of employment opportunities and commerce. However, the city pays for this privilege in the form of providing substantial services to the county government without receiving compensation for it. This comes in the form of unrealized tax revenue since the county is exempt from paying for these services.

The Salem School System is run by an 11-member board of education with nine members being elected by the citizens of Salem and two serving as representatives of sending districts. It had in school year 1996-97 an annual budget of approximately \$12.9 million. In the 1996-97 school year, the State of New Jersey provided 63% of the funding for Salem's schools. By contrast, the local residents only provided 15% of the funding for the schools. Federal and other sources provided the remaining 22%.

According to the 1996-97 ASSA Report, as of October 15, 1996, the district operated three schools with a student enrollment of 1431. The Fenwick Elementary School currently houses kindergarten through 4th grade and special education classes. The Salem Middle School houses grades 5 through 8 and special education classes. Grades 6 through 8 are organized in a vertical house plan. The Salem High School accommodates grades 9 through 12 and some special education classes.

The review team was advised that city residents in the past have demonstrated little support for the school by routinely defeating school budgets and bond issues aimed at upgrading facilities.

Until 1997-98, the school budget had not passed for the previous 15 years. And just recently a \$5 million bond referendum was approved by the voters authorizing the board to make repairs to all schools.

It is the recommendation of the Local Government Budget Review Team that consideration be given to re-directing any savings identified as a result of this review to educational programs that directly benefit the children of Salem.

I. BEST PRACTICES

A very important part of each Local Government Budget Review report is the Best Practices section. During the course of every review, each review team identifies procedures, programs and practices which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense on their own.

Just as we are not able to identify every area of potential cost savings, the review team cannot site every area of effective effort. The following are those best practices recognized by the team for their cost and/or service delivery effectiveness.

Property Management

The property on which Salem High School is located consists of 91 acres of which 75.3 acres are either undeveloped or utilized as playing fields. To make better use of unused land, the district entered into an agreement with a local soybean farmer who rented 17 acres during the 1996-97 school year. During 1997-98 school year, this amount was reduced to 15 acres. The two acres were reclaimed as part of a new soccer field. The rent is \$45 per acre, which netted the district \$786 in 1996-97 and \$675 in 1997-98. Not only does the district benefit from additional revenue; it also reduces the total acreage to be maintained.

The LGBR team supports this program as cost effective.

Waste Disposal

As a result of the city closing its landfill site, the school district was forced to contract out its waste disposal needs. As usual, hauling costs were charged on a per truck load basis in addition to tipping fees generated at the landfill. This action had a major impact on the district's disposal budget. As a result, the district explored alternative ways to dispose of its waste. After reviewing a number of options the district found the most cost effective option would be to purchase a trash compactor.

The function of the compactor is to compress trash thereby reducing its volume. This would reduce the number of truckloads required to dispose of the same volume of trash from three each week to one every three weeks. As a result, the district is saving approximately \$3,000 in hauling fees each year.

In addition to reducing its hauling fees, the district also explored options related to tipping fees. As a result, the district signed an agreement with the Salem County Utilities Authority to accept its waste at a rate of \$56.88 per ton, based on a minimum of 142 tons per year. Prior to this agreement the district had been paying \$64 per ton, thereby reducing its tipping fees by \$7.12 per ton. The district disposes of approximately 160 tons of waste yearly which equates to a savings of approximately \$1,140 per year.

As a result of the district's efforts, its waste disposal costs have been reduced by approximately \$4,140 each year.

The LGBR team wishes to commend the district for its efforts to reduce its operating expenses.

Facility Utilization

Realizing that the high school facility is underutilized the district is constantly looking for opportunities to make better use of its resources. During the 1997-98 school year, the district rented two unused classrooms within the high school to the Salem County Special Services group. At a rate of \$6,000 per room, the district is generating an additional \$12,000 of revenue each year.

The team supports this program as an example of good facility management and revenue enhancement.

II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In this study, the review team found the district makes a conscious effort to control costs and to explore areas of cost savings efficiencies in its operations. Some of these are identified in the Best Practices section of this report. Others will be noted as appropriate in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective negotiation considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

COMPARATIVE ANALYSES

Many of the recommendations in this report are based upon comparative analyses using the State's Department of Education data in comparison with districts of similar size, demographics and socio-economic ratings. Comparisons of this nature are valuable for the purposes of this report. Further, it should be noted that it is not the intention of the Department of Education that the results of these comparisons be used by the district to gauge its adequacy or efficiency.

Data compiled by various state agencies, education associations, educational publications and private industry was also used as a basis for comparison. School districts used for comparison with Salem included Paulsboro, Woodbury, Burlington and Keansburg and K-12 districts in the state with enrollments between 1,400 - 1,800 students. There were 55 K-12 type districts within the state that fit these characteristics. The following charts illustrate much of the data used:

TABLE 1
COMPARISON OF GENERAL FUND EXPENDITURES (1997 CAFR)

General Fund-Exp.	Salem	Paulsboro	Woodbury	Burlington	Keansburg
Regular Program Inst.	\$4,011,143	\$3,781,506	\$5,045,238	\$5,499,748	\$5,553,669
Special Education	\$848,930	\$865,322	\$967,773	\$796,321	\$1,352,024
Basic Skills-Remedial	\$ 404,490	\$240,578	\$317,665	\$454,260	\$507,495
Bilingual Education	\$36,974	\$11,716	\$234	\$16,326	\$15,900
Sponsored Co-curricular Activity	\$25,696	\$41,593	\$99,880	\$142,982	
Sponsored Athletics	\$143,474	\$272,896	\$250,107	\$291,960	
Other Instruction Program					\$224,347
Total Instructional Cost	\$5,470,707	\$5,213,611	\$6,680,897	\$7,201,597	\$7,653,435
Undistributed Exp.-Ins.	\$602,331	\$938,699	\$899,453	\$831,612	\$1,954,419
Total Instruction \$\$	\$5,470,707	\$5,213,611	\$6,680,897	\$7,201,597	\$7,653,435
General Administration	\$349,115	\$320,815	\$454,857	\$341,956	\$457,610
School Administration	\$593,563	\$463,414	\$707,264	\$721,783	\$706,689
Total Administration Cost	\$942,678	\$784,229	\$1,162,121	\$1,063,739	\$1,164,299
Food Service		\$70,000			\$5,981
Health Service	\$131,497	\$135,311	\$143,977	\$147,021	\$221,526
Attend. & Social Work Service	\$43,063	\$28,125	\$39,501	\$23,915	\$40,048
Other Support Service	\$413,754	\$501,334	\$552,772	\$916,632	\$820,552
Other - Imp. of Inst. Service	\$220,720	\$88,203	\$191,689	\$64,905	\$346,179
Media Service/School Library	\$127,462	\$127,018	\$130,897	\$177,432	\$180,106
Operation of Plant	\$1,333,563	\$952,426	\$1,337,428	\$1,299,720	\$1,654,180
Business & Other Support Service	\$1,540,310	\$1,277,708	\$1,171,493	\$1,782,746	\$1,549,238
Total Support Services	\$3,810,369	\$3,180,125	\$3,567,757	\$4,412,371	\$4,817,810
Total Support \$\$	\$3,810,369	\$3,180,125	\$3,567,757	\$4,412,371	\$4,817,810
At Salem's Enrollment	\$3,810,369	\$3,136,291	\$3,107,401	\$4,234,811	\$3,794,324
Transportation	\$201,733	\$336,676	\$412,252	\$472,287	\$615,313
Capital Outlay	\$86,977	\$443,843	\$174,116	\$154,932	\$396,661
Special Schools				\$25,814	
Total Gen. Fund Expend.	\$11,807,729	\$11,497,090	\$13,660,299	\$14,969,603	\$17,489,540
# of Students	1,431	1,451	1,643	1,491	1,817
Per Student Rates					
Instruction Cost Per Student	\$3,823	\$3,593	\$4,066	\$4,830	\$4,212
Admin. Cost Per Student	\$659	\$540	\$707	\$713	\$641
Support Service Cost Per Student	\$2,663	\$2,192	\$2,171	\$2,959	\$2,652
Total Gen. Fund Cost Per Student	\$8,251	\$7,924	\$8,314	\$10,040	\$9,626

Source: June 30, 1997 Comprehensive Annual Financial Report, "CAFR"

TABLE 2
SCHOOL DATA COMPARISON
BASED ON AUDIT REPORTS AND REPORT CARDS
AS OF JUNE 30, 1997

<u>Description</u>	<u>Salem</u>	<u>Paulsboro</u>	<u>Woodbury</u>	<u>Burlington</u>	<u>Keansboro</u>
County	Salem	Gloucester	Gloucester	Burlington	Monmouth
District Type	II	II	II	II	II
Grades	K-12	K-12	K-12	K-12	K-12
District Factor Group	A	A	B	B	A
Certified Employees	139	126	149	149	187
Other Employees	71	78	85	108	37
Total Employees	210	204	234	257	224
Square Miles	2.9	2	2.2	2.4	1
Number of Schools					
Elementary	1	2	3	4	2
Jr. High	1				1
High School	1			1	1
Jr. – Sr. High School		1	1		
Total Schools	3	3	4	5	4
Student Enrollment (96-97)	1,431	1,451	1,643	1,491	1,817
<u>Revenues</u>					
Local Tax Levy	\$1,914,461	\$3,650,529	\$5,937,083	\$6,403,887	\$5,257,447
State Aid	\$8,096,865	\$6,806,160	\$7,175,556	\$6,912,159	\$12,748,315
Federal Aid	\$1,076,239	\$460,699	\$473,017	\$495,017	\$485,540
Other	\$1,860,095	\$1,800,197	\$112,025	\$2,295,061	\$247,313
Total Revenue	\$12,947,660	\$12,717,585	\$13,697,681	\$16,106,124	\$18,738,615
Total Expenditures	\$11,807,729	\$11,497,090	\$13,660,299	\$14,969,603	\$17,489,540
Total Expenditures					
Total Student Enrollment					
Cost per Pupil	\$8,251	\$7,924	\$8,314	\$10,040	\$9,626
Pupils per Employee	6.81	7.11	7.02	5.8	8.11
Pupils per Cert. Emp.	10.29	11.52	11.03	10.01	9.72
Pupils per Other Emp.	20.15	18.6	19.33	13.81	49.11

Note: Data was obtained from the 1996-97 School Reports Cards and School Districts' CAFR reports

In an effort to achieve a more direct cost comparison on a per pupil basis, expenses and costs reported by each of the four comparative districts for the 1996-97 school year were recalculated by using Salem's student enrollment. The results of this analysis revealed that Salem's overall

performance compared favorably with the other four districts' performance. In all but one category of expense (total support services), Salem recorded the second lowest amounts expended for total instructional cost, total administration costs, total general fund expenditure and total cost per student. The district ranks third lowest in amount expended for total support services.

Another analytical tool that the team used in its analysis of the district's performance was the State's Department of Education Comparative Spending Guide. This guide compares and rates the levels of expenditures of various components of each New Jersey public school district's budget on a per pupil basis. The district's expenditure levels are ranked numerically with 1 being the lowest to 55 being the highest. According to the spending guide, Salem ranked in the low range in the majority of the categories examined for the 1995-96 and 1996-97 school years. The guide further revealed that the district's expenditure level ranking nearly doubled in the administrative costs and operation and maintenance budget categories while its expenditure level ranking decreased by approximately 50% in the general supplies and textbooks budget category during the one year period. The following table illustrates the district's ranking for these two years:

Table 3
Comparative Spending

Category	1995-96 Actual	Ranking	1996-97 Actual	Ranking
Per Pupil Cost	\$6,910	15	\$7,411	19
Classroom Instruction	\$4,256	16	\$4,505	19
Classroom Salary & Ben.	\$3,914	12	\$4,192	18
Gen. Supplies & Textbook	\$143	9	\$136	3
Purchased Service & Other	\$198	48	\$177	47
Support Service Salary & Ben.	\$560	15	\$573	15
Total Admin. Cost	\$1,034	19	\$1,130	32
Salary & Ben. For Admin.	\$861	26	\$927	37
Oper. & Maint.	\$881	22	\$1,024	41
Salary & Ben. For Oper./Maint	\$339	11	\$365	14
Food	--	--	--	--
Extracurricular Cost	\$137	3	\$139	3
Median Teacher Salary	N/A	N/A	\$36,667	2
Median Admin. Salary	N/A	N/A	\$69,011	9
Student/Administration	N/A	N/A	144.4:1	29
Faculty/Administration	N/A	N/A	12.9:1	21

SOURCE: MARCH 1998 COMPARATIVE SPENDING GUIDE

Board Member Expenses

Board member expenses were carefully reviewed by the team for the 1996-97 school year. A total of \$19,014 was spent during that time period. The majority of the funds, \$15,236, were expended on various membership dues. Other minor items included annual workshops at the

NJSBA Convention, newspaper advertising and travel. Records were easily accessible, documents were in order and had the required documentation attached. The district has policies covering convention/meeting reimbursement, petty cash expenditures, mileage allowances, payment for personal expenses and advance payments. The Salem Board of Education does not issue credit cards or cellular phones to board members or staff. All reimbursements are in line with the district's regulations. Mileage reimbursements are at the state recommended level and other rates are in line with those of surrounding communities. The LGBR team believes that funds expended by board members were properly authorized and were not excessive. Overall, the board used its account funds appropriately.

Legal Fees

A review of the district's vendor records revealed that the district paid a total of \$51,519 in legal expenses for the 1996-97 school year. This total amount was composed of \$29,618 for legal service fees and \$21,901 for negotiation services.

From 1987 to June 1998 the district maintained a contractual relationship with its current solicitor. The contract called for the solicitor to provide legal services including, but not limited to, attending monthly board work sessions, representing the board in legal actions, reviewing contracts and bids, mediating personnel complaints and grievances, and negotiating all employment contracts. The terms of the contract called for the district to pay the solicitor a \$5,500 retainer fee to attend monthly board meetings. It also allowed for the payment at a rate of \$85 per hour for any additional legal services, as well as \$85 per hour for any negotiation services.

In June of 1998, the district entered into an agreement with the same solicitor changing the relationship from a professional service contract to an employee/employer one. According to the contract, the solicitor was to be paid an annual salary of \$35,000. All fringe benefits, including health insurance coverage, were waived. The solicitor is to pay all pension charges and deductions arising from this relationship as a salary deduction. The district will only be responsible for the mandatory portion of social security and Medicare contributions, which are currently \$2,678 per year. The employment contract is to be renewed for the next three years at the same annual salary. Under the terms of the employment agreement the district will pay approximately \$37,143 per year, or \$111,429 over the life of the agreement.

In an effort to determine whether the district achieved a fair price for legal services for the school year ending June, 1997, the review team interviewed personnel from four school districts having enrollments and district factor grouping ratings similar to the Salem City School District. This enabled them to compare contractual relationships, legal services, and amounts expended. The results of the team's analysis are presented in the table below:

**Legal Expense
School Year June 1997**

	Keansburg	Salem	Paulsboro	Burlington	Woodbury
Negotiations	No	Yes	No	No	No
Legal Costs	\$39,793	\$29,618	\$22,558	\$15,829	\$10,138
Relationship	Employee	Employee	Professional	Employee	Professional

The review team's analysis revealed that Salem was the only district to contract with its solicitor to negotiate employment contracts. It is the general practice of the other four districts to have their professional staff handle employment contract negotiations. As noted in the table above, the Salem School District posted the second highest legal expenses for the 1996-97 school year. It should also be noted that, although two of the comparative districts maintained employment contract with their solicitors, these districts were still able to achieve legal services at a lower cost than Salem.

Recommendations:

The team recommends that the district's employer/employee relationship with the solicitor be changed to a professional services contractual relationship. We believe that this will result in estimated savings of \$2,678, the amount paid in social security and Medicare contributions.

Cost Savings: \$2,678

It is recommended that the board prepare a detailed Request for Proposal (RFP) for legal services to promote competition and determine the "market price" for these services. This action should result in lower legal costs.

The district should also review its actual need for legal consultation in the development of policies and salary scales. It is further suggested that the district utilize its in-house professional staff for such tasks, thereby saving its use of legal consultation for review of more technical matters.

It is also recommended that the board review its need for negotiating services. In most cases, contract negotiations take place every three years and are handled by in-house professional staff. If negotiations reach an impasse, then the district should consider contracting with a professional negotiator. Based upon the fact that all employee contracts have just been renewed and no negotiations should take place next year, the district could achieve savings of \$21,901.

Cost Savings: \$21,901

Auditor Fees

The Salem City School District, like all New Jersey school districts, must be audited annually by a certified accounting firm and have the results of such audit published in a Comprehensive Annual Financial Report (CAFR). The CAFR is to be filed with DOE by the November following the end of each school year.

The district has been contracting with the same accounting firm to perform accounting services for the district for more than ten years. The district does not have a formal contract with the firm which specifically details the scope of services to be provided. Also, there is no fee schedule in place indicating the amount charged for work performed by the accounting firm staff.

The team was informed by district personnel that the district has not solicited any bids from any other accounting firms during the course of its relationship with the current firm. However, during the field review, the team was told that it is the intention of the Board to solicit bids from other accounting firms beginning December, 1998.

Recommendation:

The team recommends that the district draw up a more comprehensive contract, one that will provide clear details as to the scope of services to be performed. A detailed fee schedule should also be included listing all services that will be offered and amounts that will be charged for work that will be performed by varying levels of the firm's staff.

The Salem City School District spent a total of \$50,140, or an average of \$16,713 per year, for accounting services for the past three school years. This cost includes approximately \$49,200 of fees that the accounting firm charged to conduct the annual audit and report.

The team conducted a comparative review of auditing fees charged to four school districts that had similar enrollments and District Factor Group (DFG) ratings as Salem for the 1995-96 and 1996-97 school years. The comparison revealed that Salem posted the second highest amount expended for auditing services during the two-year period.

The following is a comparison of auditing fees charged to the five school districts for the 1995-96 and 1996-97 school years:

Auditing Fees

School Yr.	Salem	Paulsboro	Woodbury	Keansburg	Burlington
1995-96	\$17,146	\$18,000	\$9,500	\$12,000	\$16,000
1996-97	\$18,081	\$18,741	\$9,500	\$18,000	\$16,700
TOTAL	\$35,227	\$36,741	\$19,000	\$30,000	\$32,700

As noted from the table above, one of the school districts used in the comparative analysis was able to obtain very reasonable auditing rates. Like Salem, this district is situated in southern New Jersey. Based on rates in place in a similar district, Salem could have saved approximately \$16,227 in fees over the past two years or \$8,581 during the 1996-97 school year.

Recommendation:

The district should seek Request for Proposals (RFPs) from different audit firms in order to promote competition, which may result in lower auditor costs.

Cost Savings: \$8,581

Health Care

Salem City School District employs one doctor to provide health care services during the course of the school year. All students are eligible to have a physical examination including students who play scholastic sports and students referred by the district's child study team. According to health status reports filed for the 1996-97 school year, the doctor examined between 35 to 40 students a month at each school. The doctor also screened district employees for drug use when directed by administrative staff. Although it is not a condition of employment, the physician attends some home varsity games in order to provide medical assistance. The doctor makes his rounds to the district's three schools every Thursday. The rest of the week is devoted to his private practice in Salem City.

According to administrative staff, the doctor has been an employee of the district for the past ten years and has been appointed to his post each year without a contract or job description. Administrative staff further related that the doctor had agreed not to request an increase in salary for the past three years on the condition that the district continue to provide health benefits on his behalf. The team's review of payroll records revealed that \$21,103 was expended for services provided by the doctor during the 1996-97 school year. Included in the amount expended were a \$13,500 salary, health and pension plan benefits totaling \$6,570, and social security and Medicare contributions of \$1,033.

In an attempt to determine whether the district was achieving a fair price for health care services, the review team queried the same four school districts that have been used to compare expenditures throughout this report. The two variables considered in the team's comparison were amounts expended and contractual relationships. The results of the team's analysis are presented in the table below:

**Health Care Services Cost Comparison
1996-97 School Year**

	Salem	Paulsboro	Burlington	Woodbury	Keansburg
Physician Expense	\$21,103	\$10,262	\$12,500	\$9,300	\$874
Relation	Employee	Employee	Professional	Professional	Vendor
Health Benefits	Yes	No	No	No	No
Pension Plan Benefits	Yes	Yes, paid by physician	No	No	No

Contract	No	Yes	Yes	Yes	N/A
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As noted in the table above, Salem City School District expended the most for physician services for the 1996-97 school year. It should be noted that although one of the comparative districts maintained an employer/employee relationship with its physician, this district was able to achieve health care services at a lower cost than Salem. Also this district did not provide health care nor pension plan benefits to its physician.

Recommendations:

The team recommends that the district's employer/employee relationship with the physician be changed to a professional services contractual relationship. The school physician should not be an employee of the district, receive any medical benefits, nor participate in the district's pension plan. We believe that this will result in estimated savings of \$7,603 – the amount paid in health benefits, pension plan benefits and social security and Medicare contributions in 1997-98.

Cost Savings: \$7,603

The team also recommends that the board prepare a detailed request for proposal for physician services to promote competition and determine the market price for this service. We believe an additional \$1,000 can be saved by seeking competitive proposals.

Cost Savings: \$1,000

BUDGETING AND ACCOUNTING

Summary

A recent state monitoring report noted that the district needed to strengthen its budget and accounting processes. The team reviewed the district's efforts to improve these areas and concludes that the district has implemented major and comprehensive improvements. The district could make additional improvements however, by placing these and other business procedures into a comprehensive handbook so employees involved in the business function will have one source of information.

Background

The district receives, spends and accounts for about \$12.0 million in public funds per year. In terms of revenues, about 85% comes from local and state tax revenues with the remainder coming from tuition and miscellaneous receipts. In term of expenditures, about 51.4% (\$6.1 million) is for instruction, 47.8% (\$5.6 million) is for business, maintenance, and other support functions, and 0.8% (\$0.08 million) is for capital improvements.

Another section of this report (Surplus Section) identifies a need for the district to consider revising its budgeting process in terms of achieving lower surplus amounts. This part of the report analyzes the overall budget and accounting functions.

In August, 1996, the state's Level II Monitoring Report noted that the district needed to improve the budgeting and accounting processes. Some examples of the recommended changes are as follows:

1. Establish a more formal budget process, which includes input (needs assessment) from staff or community.
2. Establish a closer relationship between the budget process and the goals/objectives identified in district-level strategic plans.
3. Have key administrators receive fiscally sound and timely monthly budget status reports.
4. Work more closely with the board's finance committee members.
5. Eliminate line-item deficits in monthly financial reports, and reduce the number of negative or large positive balances in financial reports used for decision making.

The team reviewed the budgeting and accounting functions to ensure that the district addressed these deficiencies and that the budget and accounting information that the district provides to the public, elected officials and administrators is accurate and reflects proper financial control.

Recent Improvements to the Budgeting and Accounting Systems and Recommendations

In order to assess the new budget and accounting procedures, the team interviewed the business administrator, talked to various managers, board members, and staff and reviewed the new procedures. We found the following improvements:

1. The district developed written budget and accounting procedures, which include detailed steps and timelines. The accounting procedures include how to identify shortfalls and sources of funds to meet these shortfalls prior to the end of the month. This eliminates the monthly deficits and excess positive balances in the financial reports. These were major issues in the monitoring report.
2. The district holds periodic budget training sessions with all of the principals, other key managers (e.g., athletic director, director of building and grounds) and their staffs. Training includes the roles of key managers and their staffs in the budget process, and the importance of timely input, review, and development of recommendations.
3. The district holds in-service accounting training sessions with principals and key managers. One goal of this training is to have these individuals understand the purpose and use of different account numbers and how to properly classify items in purchase orders and other financial documents to ensure that they use the correct account number. These sessions include assignments to test the results of the training sessions and include follow-up meetings as required.
4. Another improvement is to give key managers and board members more detailed information regarding prior year expenditures. For example, the district now provides detailed information on all capital projects including those started, completed or terminated. Prior to this, board members and key managers were given only summary or partial information.

5. The district also involved board members in budget training. Board members received 1.5 hours of training in budget workshops that were held at each board meeting.

The team called the County Office of Education to obtain their input into the improved budget and accounting procedures. The county office said the district is doing an excellent job implementing needed improvements. They fully expect the district to be in total compliance with all recommended improvements, not just budget and accounting procedures.

The team commends the district for implementing major and comprehensive improvements to the budget and accounting processes.

The district however, needs to make one additional improvement. The district has not placed all business procedures into a comprehensive handbook.

The district does not have a “Business Procedures Handbook” which outlines all of its basic business functions, from the budget development process, to petty cash procedures, to records retention. This would be a comprehensive and current resource for district personnel.

Recommendation:

The business office should develop a comprehensive “Business Procedures Handbook” and periodically communicate to all key personnel involved with the business function that written business procedures exist and that they are contained in this book.

SURPLUS FUNDS

Background

Surplus funds (i.e., unreserved, unallocated fund balances) are included in a district’s budget in order to provide funds for emergencies or other items beyond the district’s control. Sound financial controls are required to ensure that surplus funds are accurately estimated. Accurate estimates are important because overestimating surplus can lead to drastic cutbacks in expenditures in order to avoid deficit spending. On the other hand, underestimating surplus could mean that the district raised more taxes than necessary to fund operations.

It is important to understand the three interacting elements that create surplus. One is the amount of surplus that will be left over in the current year. A portion of this is usually carried into the next budget year. The second and third elements are the amounts of revenues and expenses that occur in the proposed budget year. Surpluses (or deficits) in the budget result from the interaction of revenue and expenses in that year and the amount of available surplus from the prior year.

The district’s ability to accurately estimate surplus is a function of its success in establishing sound financial controls. These controls ensure that the district develops accurate surplus estimates, monitors accounts to determine that it achieves the revenue and expense estimates in

the budget, and takes corrective action when significant deviation from these estimates occurs. For example, if actual expenses start to exceed estimated amounts, then expenses must be reduced to avoid deficits.

There are critical aspects of school district revenues, expenditures, and current year surplus that enable school districts to accurately estimate surplus. In terms of revenues, when the Salem School District prepares its budget it knows precisely nearly 85% of the amount of revenue it will receive for the upcoming year. Over the past four years (starting in 1993-94) the percent of the district's revenues that came from the local tax levy and from state aid have ranged from a low 82.2% to a high of 84.3%. Over this time period the amount of revenue anticipated and actually received was exactly the same except for a \$1,573 increase in 1994-95. The district's precise knowledge of the amount of revenue it will receive in the next budget year means that its major challenge is controlling expenses.

Approximately 80% of Salem's expenses is for salaries. Except during contract renewal periods, salary amounts for all positions in the next budget year are known either through contracted labor agreements or particular position amounts and, therefore, the amount needed can be accounted for fairly precisely. Moreover, these estimates are usually higher than what is ultimately needed because of employee terminations, retirements, and resignations. In addition, salary is not paid during the time it takes to fill a vacated position.

The non-salary portion of the budget, the remaining 20%, is somewhat more variable. However, many of these costs can be accurately predicted and accounted for if work is done through contracted service, purchase agreements with specific prices or ranges, or if a capital reserve account is established to annually set aside funds to coincide with the expected life of major equipment, buses, building repairs, etc. Some districts improperly use surplus to cover major equipment or building breakdowns that have not been properly funded in a capital reserve account as authorized by statute (N.J.S.A. 18A:21-1 et seq.). Salem does not have a capital reserve account.

In terms of the amount of surplus left over in the current year, annual budgets are resolved in February or March. This is when the district estimates anticipated surplus in the current year. At that point the district has had eight or nine months' experience to estimate expenditures and revenues for the last three months of the year. These estimates should be quite accurate. In other words, except for payment of the remaining year's salaries and miscellaneous year-end costs, from two-thirds to three-quarters of the budget has been expended or committed. This makes it quite easy to accurately project the income and expenses for the remaining one-third or one-quarter of the year.

The above information indicates that the district can accurately estimate current year surplus, revenues and expenses in the proposed budget year. The variable decision, however, is the amount of funds that should be left as surplus, i.e., unreserved, undesignated fund balance. This amount varies according to the number and extent of items in the budget where costs are variable. In education, some of the more variable items are special education costs, enrollment changes, transportation costs, costs related to facility improvements in older buildings that may

not have been planned for, and any employee contract costs related to negotiations in progress. The amount of surplus to leave in a budget can range from under 2% to 6% or more of anticipated expenditures.

Analysis

The team reviewed Salem's financial control over its surplus funds for the past four years. We found that the district generally has good control over revenues, expenses and surplus. However, we found that the district's estimated and actual surplus amounts have increased dramatically in the last year reviewed.

The district generally accurately estimates its surplus amounts. In each of the four years reviewed the district underestimated surplus, i.e., it had more money at the end of the year than it estimated. Excluding 1995-96, the actual surplus percentage exceeded the estimated range by no more than 1% (see Table 1 below). In 1995-96 the difference between estimated and actual was an unusual 2.8%. Excluding 1995-96 both the estimated and actual surplus amounts (as a percentage of the total budget) are certainly within the "appropriate" range of surplus amounts.

Table 1
Surplus Estimates as a Percent of Total Expenditures

School Year	Surplus Estimate as a Percent of Total Expenditures	Actual Surplus as a Percent of Total Expenditures
1996-97	4.6%	5.6%
1995-96	.9%	3.7%
1994-95	2.7%	2.5%
1993-94	2.3%	3.3%
Average 1993-94 - 1995-96	2.0%	3.2%

However, when we compare the most recent with the earlier years we see a dramatic increase in both the estimated and actual surplus amounts. Estimated surplus amounts in the three years from 1993-94 through 1995-96 averaged 2.0%. In the 1996-97 school year, the surplus estimate was 4.6% or 130% higher. This pattern is repeated in terms of actual surplus amounts. The actual surplus amount in the three years prior to 1996-97 averaged 3.2%. In the 1996-97 year it was 5.6% or 75% higher.

Estimates of expenses and revenues also impact on these surplus amounts. However, the district does a good job estimating these amounts. In terms of expenditures, the district always overestimates them by a small amount, -1.3% in 1994-95 to -3.6% in 1993-94 (see Table 2 below). Spending less than anticipated increases surplus.

Table 2
Expense Estimates as a Percent of Original Estimate

School Year	Estimated Expenses	Actual Expenses	Amount of Overestimate	Percent Overestimate of Original
1996-97	\$11,446,701	\$11,114,795 (*)	\$331,906	-2.9%
1995-96	\$11,262,791	\$10,866,051 (*)	\$396,740	-3.5%
1994-95	\$11,590,380	\$11,440,310	\$150,070	-1.3%
1993-94	\$11,805,675	\$11,386,258	\$419,417	-3.6%

(*) Excludes TPAF amounts to make comparisons more accurate.

The district historically underestimates revenues (see Table 3 below). Underestimating revenue means that the district had more funds to spend than it thought, and hence, surplus increases. The district again does a good job estimating revenue. It ranged from a high of 2.0% in 1994-95 to a low of .9% in 1993-94.

Table 3
Revenue Estimates as a Percent of Original Estimate

School Year	Estimated Revenues	Actual Revenues	Amount of Underestimate	Percent Underestimate of Original
1996-97	\$10,899,205	\$11,049,937 (*)	\$150,732	1.4%
1995-96	\$10,961,286	\$11,113,625 (*)	\$152,339	1.4%
1994-95	\$10,951,048	\$11,169,675	\$218,627	2.0%
1993-94	\$11,413,562	\$11,518,586	\$105,024	.9%

(*) Excludes TPAF amounts to make comparisons more accurate.

It is clear from our analysis that in three of the last four years the district believed that it could adequately protect itself financially from unexpected and/or emergent situations through budgeting and actually having a surplus of 2.0% to 3.2% (the average estimated and actual surplus for the three years 1993-94 through 1995-96).

The team believes that the district can continue to do a good job in its estimates of expenses, revenues and surplus. Effective financial control would enable the district to achieve earlier estimates of surplus. These earlier averages provide a prudent reserve and minimize the tax burden on its citizens.

The actual reductions in the estimated surplus amount cannot occur until the 1998-99 school year. At that time, the 1997-98 audit will be complete, and the continued effectiveness of the district's financial controls will be known. This should enable the district to achieve a lower surplus amount. Even with a lower surplus amount, the acceptable level of unreserved, undesignated fund balance will still be a discretionary issue for the board to resolve.

The information gathered for this analysis leads us to recommend that the district could achieve the average surplus it did for the three years prior to 1996-97. This will provide the district with the options of reducing its tax levy or providing greater funding for items such as capital improvements. If the district achieved the average surplus in 1996-97 that it did in three prior years, it would have an additional \$289,041. Even if only half of that amount were applied towards tax relief, the district would have realized an additional \$144,520 in revenue.

One-time Revenue Enhancement: \$144,520

CASH MANAGEMENT

Summary

This section analyzes the district's management of its cash balances. Specifically, we assess whether the district obtains competitive interest rates from banks and whether it operates efficiently, e.g., by monitoring bank fees and interest earnings, and by combining or closing small accounts to reduce bank charges. The team found that the district effectively manages its cash balances and receives a good interest rate on its cash balances. The main reason for these good rates is the district obtains competitive proposals from various banks for its business. We identified, however, the possibility of reducing some bank fees by combining four low balance and low activity accounts which have a similar function under one bank account number with sub-accounts.

Background

The analysis of Salem's cash balances is based on discussions with the business administrator who is directly responsible for managing the district's bank accounts. We also completed a detailed analysis of twelve monthly bank statements for the major bank accounts to identify average daily balance, fees charged, interest paid, if any, and the interest rate. For smaller accounts we completed detailed analysis only for selected months. All our data is for school year 1996-97.

The team determined whether the district could obtain higher interest rates from its bank by comparing its bank's rates to the New Jersey Cash Management Fund (NJCMF) and to the 90-Day US Treasury CD rate. Unlike banks, these funds do not provide banking services and they are not required, as banks are, to keep 10% of their balances on hand. These funds, therefore, earn interest on their total balance. We make the following adjustments so we can make a fair comparison between the rates paid by these funds and bank rates. First, we exclude from our analysis that portion of the bank account balance that is used to pay for its fees. Second, we reduce the remaining balance by another 10% to account for the banks reserve requirement.

In cases where no interest amount was earned, different adjustments were required. In these cases, banks did not charge fees, and hence, there is no offsetting balance, and they did not take the 10% reserve requirement. In order to compare the interest rates on these accounts we estimated fees based on our experience with banks statewide and we reduced the remaining balance by 10% to account for a reserve requirement.

Analysis

The district maintains bank balances of \$1.2 million. LGBR supports the district's idea of having one main bank, but we believe that keeping one or more accounts in another bank in the area helps the board in a couple of ways. It helps to foster competition among banks, and dealing with several banks helps to keep the district informed of new developments and products in the banking world.

Recommendation:

The district should keep one main bank, but maintain smaller accounts in another bank in the area to help foster competition and keep the district informed of new banking developments.

The district maintains a competitive environment among banks in the area by periodically receiving proposals for its banking business. In February, 1997, the district requested and received proposals from five banks. The bank that they selected took over the bank that the district was doing business with. The district started with the new bank in June, 1997. Our analysis includes both the old and new fees and rates.

The district maintains all of its accounts in one bank. Until recently the district's main bank grouped the seven major accounts under one general account analysis. This grouping enabled the district to receive a higher and a more uniform interest rate than it would otherwise receive. The bank used the common practice of reducing the balance that it pays interest on by 10% to account for a legal reserve requirement. In 1996-97, the bank paid the district approximately \$36,000 in interest. The bank receives payment for fees by lowering the balance that it pays interest on to equal the cost of the fees. After taking out fees and the 10% balance requirement, the district earns 5.07% interest on the remaining balances. Our comparison of this interest rate to the 5.29% average NJCMF rate indicates that the district receives a good rate.

The team analyzed the one month under the new bank and these good rates have continued.

The district maintains four accounts in its main bank that are not grouped together. These are a trust account, a memorial fund, and two school funds. The average balance in these funds is approximately \$26,173. The district receives a nominal interest rate on all of these accounts but one. On the accounts earning interest the bank does not charge any fees and a 10% reserve is not taken. Considering the low balance in these smaller accounts the bank is paying the district a good interest rate. The low balance account that does not earn interest is more typical of what the team finds, and, in some cases these low balance accounts will even be charged a service fee.

The team found that the district could possibly reduce routine bank fees on these four accounts. The district might be able to combine these four accounts under one account number with sub-accounts, which retain separate account balances. Sub-accounts are especially appropriate when the accounts have a similar function, and are low-activity and low-balance accounts. These

accounts appear to meet these criteria. Eliminating individual, small, low-activity accounts reduces bank charges and administrative overhead.

Recommendation:

The district should review its smaller, low-activity accounts and try to combine them as sub-accounts with accounts that have a similar function, or even close them if appropriate.

Grants Management

In the 1996-97 school year, the Salem City School District received in grants approximately \$8.1 million from the state, \$971,000 from the U.S. Department of Education and \$376,000 from the U.S. Department of Agriculture. The majority of state funds consisted of foundation aid (66%) and Aid for at-Risk Pupils (13%). The bulk of U.S. Department of Agricultural funds was composed of National School Lunch Program funds (62 %) and the School Breakfast Program (20%). Most of the funds received from the U.S Department of Education were for Title 1 programs (57%), Even Start 15% and IDEA programs (13%).

The district receives a number of entitlements and competitive grants for a variety of federal and state programs being implemented in the schools from the U.S. Departments of Education and Agriculture and the State's Department of Education. The agriculture grants are part of the national school lunch program, which subsidizes meals for certain students. The education grants include Title 1, Title 2 Eisenhower (Math and Science), Title 4 Drug Free School Act, Title 6 Equipment, Carl Perkins vocational, IDEA Special Education and the Even Start.

A review of the district's 1996-97 CAFR and grant applications revealed that the district deferred \$14,140 of U.S. Department of Agriculture funds and had a \$36,881 account receivable due from this agency at the end of the school year. \$8,254 of funds received from the U.S. Department of Education were deferred, \$38,803 was yet to be received, and \$1,666 was due to be returned to the department at the end of the school year.

The team's review of the district's 1996-97 CAFR also revealed that \$25,499 of funds received from the State Department of Education were deferred and that \$29,249 was due to be returned at the end of the school year. The amount to be returned consisted of \$10,059 of textbook aid, \$11,445 of supplemental instruction program aid, and \$7,745 of non-public nursing service aid. The amount returned only represented 3% of total funds received from the state for the school year.

According to district personnel, the reason why the funds had to be returned to the state was that the district was able to obtain lower salaries and costs of supplies than were originally budgeted. Presented on the next page is a summary of actual funds received from the U.S. Departments of Agriculture and Education for the 1996-97 school year.

A total of \$1,666 in U.S. Department of Education grant funds was due to be returned to the grantor at the end of the 1996-97 school year. A summary of actual funds received from the U.S. Department of Education and the amounts to be returned to the grantor as of 6/30/97 is included in the following table:

Table 1 Grant Funds

Grant Name	Cash Received	Grant Period	Amount Expended	Amount Returned
Title 1 Carryover	\$39,046	1995-96	\$39,046	0
Title 1	\$556,844	1996-97	\$597,017	0
Even Start Carryover	\$57,449	1995-96	\$52,806	\$199
Even Start	\$142,500	1996-97	\$141,285	0
Evening School 91-92	\$97	Prior Year		\$97
School Based Youth Service	\$839	Prior Year		\$839
Carl Perkins	\$2,381	1995-96	\$2,381	0
Carl Perkins	\$25,986	1996-97	\$25,986	0
Title 6	\$4,075	1995-96	\$4,075	0
Title 6	\$11,978	1996-97	\$11,929	0
IDEA-B Basic C/O	\$3,156	1995-96	\$3,156	0
IDEA-B Basic	\$124,936	1996-97	\$123,983	0
IDEA-B Preschool C/O	\$6,403	1995-96	\$6,403	0
IDEA-B Preschool	\$19,430	1996-97	\$15,167	
Title 2 Carryover	\$3,524	1995-96	\$3,524	0
Title 2	\$11,517	1996-97	\$9,743	0
Drug Free Schools	\$531	1996-97		\$531
Title 4	\$6,154	1995-96		0
Title 4	<u>\$12,300</u>	1996-97	<u>\$8,764</u>	<u> </u>
Totals	\$1,029,146		\$1,045,265	\$1,666

As noted from the information disclosed in Table 1 above, the amount returned at the end of the 1996-97 is minimal. Also, a review of CAFR reports filed for the previous three school years revealed the amounts returned to grantors were minimal.

The LGBR team feels that the district should be commended for its efforts in fully utilizing funds awarded to the district.

Fixed Assets

The 1996-97 audit cited the district for not grouping all general fixed assets transactions for the fiscal year in one journal. According to the administrative staff in charge of accounting for fixed assets, corrective action was taken to remedy this situation by hiring a data entry person to input fixed assets data into one subsidiary journal.

The district was also cited in the 1996-97 audit for not complying with the State Department of Education's prescribed Generally Accepted Accounting Principles (GAAP) technical system manual for general fixed asset group of accounts. The district corrected this situation at the

beginning of the 1997-98 school year by contracting with a private consultant to assess its fixed assets accounting system and method of inventory control. The assessment resulted in the consultant designing a computer generated inventory list that is capable of providing all pertinent information concerning the district's fixed assets.

The inventory list is composed of several fields containing information regarding each fixed asset, such as, the asset's historical costs, depreciation expense, market value and physical location. The list can easily be updated with minimum clerical error. All of the district's fixed assets are tagged and can be traced directly to the inventory sheet.

Finding:

The team took note of the expedient measures taken by the district and the minimal cost that was incurred to improve its fixed asset accounting system and control over the district's fixed assets. (Such corrective actions should prove to be beneficial in generating reports to the insurance company that insures the fixed assets and in determining the value of a fixed asset when replacement is being considered.)

Food Service

Prior to the 1997-98 school year, the district's food service operation was handled by the board of education. During the last two years that the district operated this program, the food service operation reported a combined loss of \$182,992. In April, 1997, the board took action to remedy this situation by privatizing the district's food service operations.

In August, 1997, the board entered a one-year management contract with a private management company. This contract may be renewed for a maximum of two one-year terms. In addition to a \$22,850 management fee, the contract includes salaries, employee benefits and supplies. The management fee was based on services related to the lunch programs that were in existence at that time the contract was signed, and could be adjusted on a pro-rata basis if another cafeteria was opened or a satellite program was offered during the period of the contract. Based on the district's annual audit report, the food service program had net income of \$57,623 for the school year ending June, 1998.

Before the food service program was privatized, the district employed 26 cafeteria workers, a food operations manager and a food service business manager. Cafeteria staff members also earned sick time at the same rate as the district's teachers. Of the 26 cafeteria workers, 12 were vested in the district's pension plan, and four of the 12 employees had over 20 years of experience with the district and were eligible for retirement. When the board decided to privatize the food service program, the majority of the cafeteria staff still had sick time on the books.

As a gesture of goodwill, the board agreed to pay the cafeteria workers for their unused sick time. On May 22, 1997, the board drafted a severance agreement whereby each employee would receive severance pay based upon the number of earned and accrued unused sick days remaining

in the employee's account as of the end of the 1996-97 work year. The employees received \$10 per day for 50 or less sick days and \$20 per day for 50 or more sick days. The board also offered four employees who had 20 plus years of experience two options. They could continue employment into 1997-98, or they could terminate their employment as of June 30, 1997 and qualify for the provisions of the severance agreement. The board hired one of the four eligible employees as a cafeteria employee for the 1997-98 school year and paid his \$12,867 salary. The total amount paid under the terms of the severance agreement was \$21,100.

The Salem City School District receives federal and state subsidies for its food service operation resulting from its state-designation as a "severe needs" district. The district also collects fees for the cost of meals. The team's review of food service records revealed that over the past three school years, an average of 99% of the district's students participated in the food service program.

According to budget guidelines, if a school district receives state and/or federal reimbursement for food service costs or collects fees for the cost of meals, all transactions relating to the food service operation must be recorded in an enterprise fund. The enterprise fund is used to account for operations that are financed and conducted similarly to a private business, whereby the costs of providing goods or services are financed through user charges.

An analysis of the district's food service operations for the years noted are presented below:

	1997-98	1996-97	1995-96
Operating Revenues			
Daily Sales-Reimbursement	\$48,651	\$51,208	\$54,703
Daily Sales-Non Reimbursement	\$91,482	\$75,251	\$71,601
Special Functions	\$55,584	\$79,034	\$71,907
Total Operating Revenue	\$195,717	\$205,493	\$198,211
Operating Expenses			
Salaries	\$186,016	\$279,412	\$272,763
Purchased Prof. & Tech. Service	\$22,850	0	0
Supplies & Materials	\$26,127	\$21,117	\$15,689
Depreciation	\$7,756	\$7,294	\$7,268
Cost of Sales	\$246,893	\$287,433	\$274,838
Miscellaneous Expenses	\$1,260	\$4,161	\$4,394
Employee Benefits	\$11,356	\$101,523	\$81,720
Payroll Taxes	\$24,582	0	0
Workers' Compensation	\$6,394	0	0
Other Purchased Services	\$10,866	\$6,028	\$7,169
Cleaning, Repairs, Maintenance	\$3,902	0	0
Total Operating Expense	\$545,002	\$706,968	\$663,841
Operating Loss	(\$349,285)	(\$501,475)	(\$465,630)
Non-Operating Revenues			
State Sources:			
State School Lunch	\$15,877	\$15,911	\$17,468
Federal Sources:			
National School Breakfast	\$65,723	\$72,112	\$73,029
National School Lunch	\$282,742	\$272,850	\$263,787
U.S.D.A. Commodities	\$38,935	\$25,035	\$29,098
Interest Revenue	\$3,631	\$173	\$838
Other	0	\$13,820	0
Total Non-Operating Revenue	\$406,908	\$399,901	\$384,212
Net Income (Loss)	\$57,623	(\$101,574)	(\$81,418)

As noted from the table above, the food service program operated at a significant deficit during the 1995-96 and 1996-97 school years, and the first year of privatization resulted in the district posting \$57,623 of net income. The significant decrease in salaries and benefits paid to the cafeteria staff was instrumental in the food service program's posting net income for the 1997-98 school year.

According to monthly productivity analysis performed by the management company, the average number of meals served per work hour ranged between 14 – 16. According to industry standards, a minimum of 15 meals served per work hour indicates favorable productivity.

The district charges \$1.50 for high school and middle school lunches and \$1.35 for elementary school lunches. Reduced price lunches are \$.40. Breakfast costs \$.65 at the high school, and \$.55 at the middle school and the elementary school. The district has one production kitchen at Salem High School and satellite kitchens at the middle school and the elementary school. Meals are delivered from the high school's production kitchen to the middle and elementary schools via the district's truck.

The district maintains satellite agreements with four neighboring public school districts and a parochial school to provide lunches to these districts for \$1.60 per meal. Meals are delivered to the satellite districts via the district's delivery truck. According to the district's annual audit report for the 1997-98 school year, total income earned with respect to the satellite agreements was \$48,036.

Recommendations:

Based on the results achieved during the 1997-98 school year, the food service program was profitable under private management. Thus far, it appears that privatizing the food service operation has proven to be beneficial to the district. The team believes that the district should be commended for its actions in this area. However, the district should continue to closely monitor the productivity of the food service program and continue to seek competitive managerial contracts to increase productivity and earnings.

PURCHASING

Effective procurement involves planning, organizing, and managing to obtain goods and services in an efficient and economical manner. To that end, the district's procurement system was reviewed to determine the adequacy of the purchasing process and that the process was being followed and had adequate safeguards.

The district's procurement function is decentralized. The purchasing process originates from each school, department and the central office but is under the control of the business office. The team found that approximately 60% of the purchasing process is automated. District employees are guided through the purchasing process by written procedures contained in the district's purchasing manual.

In its quest to obtain the lowest prices for goods and services, the district participates in joint purchasing ventures. The district currently purchases large volume items such as copy paper, computer paper and disks, and natural gas, cooperatively with Pittsgrove School District, which is the designated Local Education Agency (LEA).

The district generally purchases school supplies and computers under state contracts because of product satisfaction and consistent by low pricing. Each year, district principals allot each teacher a budget from which to order supplies. The teachers peruse updated catalogs received from vendors to make selections. The teachers place their orders in November for delivery to be made before the new school year. Supplies are delivered directly to the school and are stored in designated cabinets that are kept locked. The teachers are responsible for securing, monitoring and distributing supplies from the storage areas.

The district consistently contracts with vendors offering the lowest prices when placing orders for maintenance and custodial supplies. For the most part, general maintenance and custodial supplies, such as paper, cleaning agents and the like are ordered in bulk annually, but are replenished when needed throughout the year. The maintenance supervisor determines the amount of supplies needed and submits purchase orders to the business office. Like school supplies, maintenance and custodial supplies are delivered directly to the storage section located at Salem Middle School where they are secured and monitored by the maintenance supervisor.

Professional Services/Professional Consultants

All professional service and consultant contracts must be approved by the Salem BOE. Although the public schools contract laws, N.J.S.A.18A:18A-5a(1), does not require competitive bids or quotations for professional services, the board of education tries to obtain at least three proposals for any professional service.

Purchase Order Process

All requests for purchase of materials, supplies and services must be made through a signed and approved purchase order. It was noted during the team's review that all purchase orders are manually created and delivered between the school and business office. After the PO form is completed, a clerk at the business office enters information contained on the PO into an automated budgeting and accounting system. When this is done, district personnel can track the PO, obtain encumbrance totals and balances for the respective account, and produce corresponding reports such as open PO's and purchases by vendor.

Recommendations:

It is recommended that the district move forward toward total computerization of the requisitioning, purchase order, encumbrance, receipt and payment process including wire links between each school and the business office.

The team noted that the district's involvement in cooperative purchasing ventures is due in part to the BA's due diligence and aggressive pursuit of cost savings opportunities. It is recommended that Salem continue to pursue these efforts to save taxpayers thousands of dollars through cooperative purchasing initiatives through networking with local community, college, county and school districts.

Vehicles

As of September 1, 1997, the Salem City School District operated a fleet of fifteen vehicles. As recommended in the Salem City External Review Team Report conducted by the Department of Education, the district eliminated two vehicles from its fleet by year's end. By July 1, 1998, three additional vehicles were removed from service due to poor condition. The district's vehicles are utilized in a number of ways, e.g., building maintenance, food deliveries, custodial, trash removal, band equipment transportation, and attendance officer.

A preventive maintenance program and maintenance records are nonexistent and all mechanical repairs appear to be done at a local vendor. A review of vendor payment records showed only one vehicle received an oil change during the 1996-97/1997-98 school years. All other repairs occurred as a result of either problems or breakdowns.

A preventive maintenance (PM) program should be developed by the building and grounds supervisor. Vehicle jackets containing records of all repair requests, internal and external repair orders, and outside parts invoices should be kept on file in the supervisor's office. In addition, a vehicle use/pre-trip inspection log should be maintained for each vehicle. Vehicle logs provide the supervisor with data on how and when vehicles are used, who is using them, and mileage for forecasting maintenance scheduling. The pre-trip logs provide first hand information on the condition of the vehicle an employee is about to drive and can insure that the vehicle is safe to operate under foreseeable road conditions. Problems found during this inspection can be reported at day's end or immediately should it involve a safety related function. The supervisor should also be part of the verification process to authenticate the accuracy of vendor billing prior to payment to avoid duplicate payments and document receipt of goods.

The supervisor should maintain an accurate vehicle inventory to include, in addition to vehicle data, projected life expectancy and replacement cost. He should also insure that when equipment or vehicles are sold or disposed of they are removed from the district's inventory and the business administrator is advised so the appropriate insurance carrier can be notified, hence reducing insurance costs.

The review team believes that an opportunity for shared services exists between the district and the municipality regarding vehicle maintenance. The municipality currently employs one mechanic to repair its vehicles. The team suggests the district negotiate with the city to have its mechanical repairs done at the municipal garage. Currently, the street department maintains approximately 45 vehicles, some of which are from other departments, e.g., water/sewer departments and housing. Based on his work load and industry standards we feel the street department's mechanic should be able to repair the district's vehicles with no negative effect on his current schedule. This action will reduce the hourly rate which the district pays for labor from \$40 to approximately \$30 as well as allowing the district to take advantage of the city's parts discount. This would save the district approximately \$1,000 yearly in reduced labor and parts cost.

Recommendations:

The supervisor should develop a preventive maintenance program, maintain vehicle jackets, require the use of vehicle logs and verify all vendor billing prior to payment.

The district should negotiate a shared service agreement for mechanical repairs with the city.

Cost Savings: \$1,000

TRANSPORTATION

Salem City School District's transportation functioned with an operating budget of \$210,718 during the 1996-97 school year. The actual transportation expense for that school year was \$210,733. The program received \$130,741 or 62% of its funding from state aid with the remaining 38% coming from the taxpayers of Salem. It should be noted that the district's transportation expense only increased by three percent over the past three school years.

Prior to the 1996-97 school year, the district contracted directly with private carriers for transportation services. Beginning with the 1996-97 school year, the majority of the district's students were transported by private carriers whose contracts were coordinated by Salem County Special Services School District transportation cooperative (SCSSSD). With the approval of several Salem County school districts, SCSSSD was assigned the role of coordinator of countywide transportation services. This jointure was formed in order that each participating district could obtain efficient and cost effective transportation services.

The Salem School District offers in-district and out-of district transportation services to public, special education and vocational students. Based on a review of transportation records, there has not been a significant increase nor decrease in the number and composition of students receiving transportation services over the past three school years. According to the district's transportation records, 93 students received transportation services during the 1996-97 school year. Of the 93 students transported, only six received courtesy busing. The team's review of the district's transportation records also revealed that 83% of the children transported during the 1996-97 school year were special education students.

The district owns one small bus that is used to transport three wheelchair bound students to the district's high school and shuttle injured students among the district's three schools.

The district's transportation expenditures, state aid entitlements and district contributions for the past three years were as follows:

	1994-95	%	1995-96	%	1996-97	%
Transportation State Aid	\$72,902	39%	\$130,741	68%	\$130,741	65%
District Supported Amount	\$122,962	61%	\$60,706	32%	\$70,992	35%

Total Expense	\$195,864		\$191,447		\$201,733	
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As noted from the chart above, taxpayers supported 61% of the overall cost of transportation services for the 1994-95 school year. However, the district did receive a sizable increase in state aid the following school year, which helped eliminate over half of the taxpayers' burden.

In-District and Out-of-District Transportation

Essentially all in-district and out-of-district transportation services are contracted through the cooperative. Based on the team's review of the district's transportation roster and contracts obtained through SCSSSD, out-of-district special education transportation costs for the 1996-97 school year were \$90,770. The remaining special education students were transported in-district at a cost of \$36,230.

According to district records, 12 students received shuttle services during the 1996-97 school year. Transporting these students cost the district \$6,797, the amount paid in wages to the bus driver. The person who drives the district's bus does so on a part-time basis and does not receive any benefit. In addition to driving the students, the driver also delivers mail between the board's office and the district's three schools.

Vocational Transportation

The district obtained contracts with private carriers to provide vocational transportation services through SCSSSD. During the 1996-97 school year, the district paid \$5,195 to transport 34 students to Salem Vo-Tech/Prep Center.

Supplemental Transportation

The district provides supplemental transportation services for field trips, athletic events, and band trips by contracting with a private carrier. The district has been contracting directly with the same vendor to provide these services since the 1989-90 school year. Administrative personnel informed the team that this is the last year of the contract with the carrier. The district will be soliciting bids for these services during for the next school year. Supplemental transportation costs for the 1996-97 school year were \$41,050.

Finding:

The team believes that Salem City School District will stand to benefit tremendously from its association with the SCSSSD transportation cooperative in terms of maintaining and controlling transportation costs. The team also noted that the district is already reaping benefits from this association by not having to hire additional personnel nor invest in any technology to manage its transportation function.

The team commends the district's administrative staff on its assertive pursuit of researching alternative methods to contain costs for its taxpayers.

Insurance

The board of education received two attractive offers last June when they were pricing insurance coverage for property and casualty and workers' compensation coverage. A joint insurance fund and an insurance pool offered the board coverage at substantially reduced rates compared to its insurance provider. The board chose to go with the insurance pool.

By choosing an insurance pool, savings were achieved through a 20% managed-care credit for workers' compensation coverage. This credit is usually around 10%. In order to maintain this premium saving in the future the district will have to institute a formalized safety program in order to control its losses. The insurance company will look to see that the district is implementing an aggressive safety program as well as a vigilant review of claims. The district is cooperating with the insurer in this approach to claims management and has hosted several safety seminars.

In order for the district to become safety-oriented the following procedures need to be accomplished:

1. The establishment of a safety committee which delineates policy and incorporates safety into personnel performance appraisals.
2. The appointment of a loss control officer who evaluates all losses and makes recommendations to correct hazardous conditions.
3. The adoption of a district policy which recognizes the need for safety procedures and allows the district to require compliance.
4. The implementation of a solid "Right to Know" program and regular safety inspections by appropriate staff members.
5. The consistent recording and analysis of all work-related injuries.

Health Services

Three full-time certified nurses provide health services to Salem City School District. The nurses are evenly distributed among the district's three schools and are available to students for the duration of the school day. The nurses are responsible for distributing medications, first aid, counseling and educating students on health issues. They also process student immunization records, assist the school physician with physical examinations, perform medical checks, attend to the specific needs of handicapped students, process lunch applications, and perform other administrative/clerical tasks.

The team's review of monthly status reports filed by each school nurse for the 1996-97 school year revealed that an average of 50 to 60 students were treated each month for injuries that were not school related. The reports also revealed that each nurse screened an average of 30 to 45 students per month for hearing, vision, and other medical checks. The team discovered through discussions with administrative personnel that the school nurse has become the primary health care provider for many of the district's students.

Reports filed by the elementary school nurse indicated that there is a significant problem with the immunization status of elementary school-age children. According to the nurse assigned to the elementary school and administrative personnel, each year the district is besieged by an immense number of parents attempting to register children whose immunization records are incomplete. Consequently, the district is prohibited from registering the students because of the incomplete immunization records. To further complicate matters, restrictions imposed by a State Department of Health (DOH) statute regarding the method by which school districts are required to record and report student health information to DOH is very time consuming. In addition, the district's administrative personnel and school nurses believe that the regulation, N.J.A.C. 8A:57-4.7 has contributed to the backlog that develops each year at the district's elementary school.

Given the volume of incomplete immunization records it is conceivable that the district could continue to experience a backlog each year. The district currently deals with the backlog issue by paying the school nurse \$25 per hour to work a few weeks during the summer. The district paid approximately \$3,000 to eliminate the backlog that was created during the 1996-97 school year.

The lack of automation and clerical support provided to the district's health offices were noted during the team's field review. This situation was discussed with an administrative staff member who confirmed that clerical assistance is minimal for the nursing staff. The staff member further related that the only time any assistance is provided to school nurses is when screenings and physical examinations are being done. At that time, the district hires substitute nurses to cover the district's health offices.

Recommendations:

The district could provide immediate relief to its nursing staff by assigning clerical support to handle certain paperwork duties that are not regulated by the state's health department. By making these adjustments, the nurses would have adequate time to attend to the responsibilities that are required of a certified nurse. The cost should be minimal if the district hired part-time clerks without any benefits.

Security

According to the district's statistics, for the past four years, Salem City Schools have not been inundated with acts of vandalism, theft, and violence. Although crime in the district's school have been minimal, the district's board members, parents, administrators and staff should be mindful that crime is on the rise in school districts nationally and that an adequate security system is paramount to the safety of district students and staff and the safekeeping of school property from theft and vandalism.

The district's present system of security is lacking and is in need of reform. The district currently has one employee monitoring the halls at the high school and no hall monitors at the elementary school or the middle school. The team noted that visitors' access to school buildings is not properly monitored. On many occasions members of the team were allowed to enter and leave

school grounds without being questioned. The team also noted that there were several accessible entry ways into the district's school buildings that were not monitored. It should be noted that the lack of security at these schools allows countless opportunities for students, visitors and unauthorized persons to enter and leave the district's schools undetected.

Providing a safe and disciplined learning environment in which children can learn is a worthy priority. The disruption caused by violence in our nation's public elementary and secondary schools is a national concern. Crime in and around schools impedes learning and student achievement; it also threatens the well-being of students, staff, and our communities.

Recommendations:

Security measures must be integrated in a comprehensive school safety plan that is balanced with prevention, intervention and enforcement techniques. Most importantly, safe schools contribute to improved attendance, increased student achievement, and enhanced community support.

It has been noted in several school districts across this country, that hall monitors or aides have generally been successful in monitoring student traffic inside and outside school facilities and in providing a level of protection to the students as well. It is therefore recommended that the district hire hall monitors to patrol the district's schools. There should be one hall monitor at the elementary school, and two at the middle school and the high school. The cost of employing the hall monitors should be minimal since the monitors could be paid a competitive hourly rate without benefits.

The district should also require visitors to sign in and out and provide better control over access to school buildings. This could be accomplished by locking exits that are not commonly used by the district staff and student body in a manner that is consistent with the municipal fire code.

Facilities

The purpose of this analysis is to examine the utilization of the three schools in the Salem City School District to determine:

- If the schools are being utilized to their full capacity consistent with current and projected enrollments;
- If a realignment of grades among the schools could possibly improve utilization;
- The impact of any "proposed" realignment on the approved October 13, \$5 million bond referendum; and
- If any additional operational cost-savings could be realized through improved utilization.

School	Year Built	Occupancy*	Capacity	Total Sq. Ft.
John Fenwick Elementary School	1953 1974	453	747	41,700 +/-
Salem Middle School	1912	308	770	102,000 +/-
Salem High School	1960	404	1050	118,000 +/-
*October 1997 ASSA				

The Bond Referendum

In January, 1998, the Spiezel Architectural Group presented a draft five-year maintenance report to the board of education based upon site surveys and observations performed from November, 1997 to January, 1998. The purpose of the surveys was to establish the maintenance conditions of the three schools that would require attention within the next five years to prevent further deterioration. The total cost identified to bring the schools to a “maintainable level” was \$9.8 million. However, after considerable discussion to help assure passage by the municipal council, the board reduced the amount of the recommended referendum to \$5 million. It is the opinion of the review team that the long-term needs of the district would have been better served by following the full recommendation of the facility consultant and proposing a \$9.8 million referendum. The \$5 million addresses the work identified in the report where physical conditions “...endanger the health and/or safety of people or the integrity of the existing building”, or “...will cause the facility to deteriorate to a condition/state described (above) over the next three to five years, or conditions that would seriously curtail usage of that facility within one to three years.” Of the total, \$1.8 million was allocated to Fenwick (exterior masonry repairs, window replacement, asbestos removal, plumbing piping replacement, crawlspace ventilation and roof replacement), \$2.0 million to Salem Middle (exterior masonry repairs, window replacement, roof replacement, electrical distribution and exterior stair and sidewalk replacement) and \$1.2 million to the High School (roof replacement).

The review team inspections of the three buildings confirmed the findings of the report specific to the physical condition of the facilities and the prioritization of the renovations. However, the report was based upon the need to fully utilize all the classrooms in all three schools. cursory observations of utilization and capacity did not support this premise.

Utilization

The Fenwick School consists of a main administrative and classroom wing, which houses all of the support functions of the school plus 20 classrooms. The balance of the classrooms are contained in three wings which each have five classrooms (a total of 15 classrooms). The classrooms in each wing are contiguous without an exterior connecting corridor; that is, you have to walk through each classroom to get to the next. Even though these spaces are not “classified” as substandard (because there is a second means of egress from each room), it is not appropriate for students to exit either through another classroom, or directly outside. As reported in the State

Department of Education 1998-99 Application for State School Aid (ASSA), enrollment in October, 1997 was 453, an average of 13 students each for 34 classrooms. Given the “flat line” in attendance over the last eight years, validated by census data and housing starts in Salem and surrounding communities, and, following a discussion with the school business administrator, the conservative planning assumption for this analysis is one of “zero growth” (enrollments are in fact, declining slightly). Utilizing just the classrooms in the “administrative wing” and one of the “California” wings (closing off or demolishing the other two “California” wings), still meeting the district’s standards for maximum class size, the requirements of the pre-K through second grade program could be met at the Fenwick School by moving the third grade and “aligned” special education classrooms to the Salem Middle School:

Grades	Estimated Students	Sept. 98 Classrooms	Average Class Size	Suggested Class Size	Classroom Reduction
Pre-K		3		Same	0
K		6		Same	0
1	109	6	18	21.8	(1)
2	110	5	22	Same	0
3	83	5	16.6	20.75	(1)*
Sp. Ed.	46	5	N/A	N/A	(4)**

* Reduce from five to four classrooms and relocate to Salem Middle School.

** Relocate four self-contained classrooms of special education students to align with age of students at SMS.

This could result in estimated annual savings of \$87,000 as follows: reduce maintenance/utility costs by \$2,000; eliminate one custodial position for savings of \$22,000; and eliminate two teaching positions for savings of \$63,000. In addition, a *one-time* capital expenditure “avoidance” of \$461,000 could result by not renovating two of the three California wings.

The Salem Middle School is a three-story building with administrative offices (including guidance and nurse’s offices), media center, gymnasium and 16 classrooms on the first floor, the superintendent’s offices (six classrooms) and 15 classrooms on the second floor and support space (storage, mechanical, cafeteria/kitchen, locker rooms music and art rooms) and vacant space on the ground level (one former shop and two home economic spaces are vacant and not included in this analysis). The junior high school (grades 6-8) is located on the second floor and divided into three “houses” of three classrooms each. In addition there are a speech and an ESL classroom on the second floor. To accommodate the third grade from the Fenwick School it is recommended that the superintendent’s offices be relocated from the Salem Middle School (an analysis of the options and costs will be evaluated later in this report).

In addition, by increasing the class size for the 6th, 7th and 8th grades from the current average of 15 to 20 students, one “house” (three classes) could be eliminated, thus reducing three teaching positions.

Salem Middle School

Grades	Estimated Students	Sept. 98 Classrooms	Average Class Size	Suggested Class Size	Classroom Reduction
4	82	4	20.5	Same	0
5	77	4	19.2	Same	0
6, 7 & 8	181	12 (4 Houses)	15	20 (Reduce to 3 Houses)	3

This could result in savings of \$94,500 by eliminating three teaching positions.

Realignment Summary

The following realignment summary highlights the proposal to balance classroom use between the John Fenwick and Salem Middle Schools to achieve savings through better utilization of existing classrooms, avoid capital expenditures on marginally “standard” space and reduce teaching staff through modest increases in the average class size in specific grades:

	<u>SMS</u>	<u>JFS</u>
CURRENT CLASSROOM UTILIZATION (NUMBER OF CLASSROOMS)	41	34
• Reduce Middle School Houses from 4 to 3 (increase average class size from 15 to 20, reduce staff by 3)	(3)	0
• Relocate Superintendent’s Offices from SMS	(6)	0
• Relocate 3 rd Grade from JF to SMS (increase average class size from 17 to 21, reduce number of classes from 5 to 4, reduce staff by 1)	4	(5)
• Relocate 4 self-contained Special Ed. classes from JF to SMS to align age of Special Ed. students with general population	4	(4)
• Eliminate one 1 st Grade classroom (increase average class size from 18 to 22, reduce staff by 1)	0	(1)
• Vacate (demolish) two of three “California” wings	0	10

Recommendations:

Relocate the third grade from the John Fenwick School to the Salem Middle School to more closely align projected enrollment with existing capacity, with a commensurate adjustment of class sizes and special education assignments. This would result in the elimination of five teaching positions (\$157,500); eliminate one custodial position (\$22,000) and reduced maintenance/operating cost (\$2,000).

Cost Savings: \$181,500

Close or demolish two “California” wings at the John Fenwick School for a one-time capital savings (or a “reallocation” to meet other capital needs).

One-time Cost Savings/Reallocation: \$461,000

Relocation of Board Offices

The board of education currently occupies approximately 3,200 net useable square feet of space, consisting of six classrooms located on the second floor of the Salem Middle School. The space includes offices and work stations for ten staff plus support space for conferences, file storage and machine operations. Being located in a school does not provide a professional office/business environment and space is wasted due to lack of efficiency. It is not an appropriate use of instructional space, and creates security concerns with control and access to the offices through the school, by both scheduled and non-scheduled visitors.

Utilizing state standard specifications, a Space Planning Request (SPR) was completed to determine the amount of space required for the administrative staff and functions. As identified, this office has a need of 2,700 net useable square feet if it were to relocate. These standards are based upon the use of private offices for supervisory and professional staff and office systems furniture for technical, secretarial, and clerical staff and include space for conference rooms, files, storage, machine operations and a reception area. Also included are two extra workstations for the occasional visiting auditor and/or consultant. It does not include space for monthly board of education meetings, which are held at the high school.

In exploring alternatives for the relocation of these offices, the first priority was to seek either municipal or district-owned space that is currently vacant or underutilized. Two such options were identified as currently or soon to be available. One was available for inspection:

- **Washington Fire Company:** Located on East Broadway, this facility has been identified for possible closure by the municipal review team. The building was constructed in 1972, a sound, two-story masonry structure, with vehicle storage on the first floor and meeting room/kitchen on the second floor. The second floor is 1,025 net useable square feet. There is only one stairwell with a steep rise (18 feet), and has neither an elevator nor a secondary means of egress. However, the first floor has a 2,000 square foot open bay and a 300 square foot finished meeting room with adjacent rest rooms. The space is close enough in size to warrant further evaluation to

determine if the offices could be relocated to renovated space at this location. It is estimated that the space could be renovated, utilizing “in-house” staff as follows:

General Construction	\$30,000
HVAC	\$10,000
Furniture (8 open office	<u>\$24,000</u>
systems @ \$,3000 ea.)	\$64,000

- High School House: Located adjacent to the high school and district maintenance shop, the house is currently rented out for \$ 400 per month. The lease is due to expire at the end of the year and the board has been considering relocating to this location. As the house is currently renter occupied, it was not inspected for office use by the review team. However, for this analysis, the following is proposed:

General Construction	\$20,000
HVAC (window units)	<u>\$ 2,000</u>
Total	\$22,000

Based upon these findings the office of the superintendent has two options to relocate:

1. To the district-owned house adjacent to the high school with renovations to be performed by district maintenance staff. The advantages are that the property is owned and within an area currently managed by the board. It would be easily identified by individuals doing business with the board. The cost is estimated at \$22,000 assuming that there are no special requirements identified by local sub-code officials for occupancy (the property was not inspected on the interior).
2. The Washington Fire Company building with renovations made by district maintenance staff. The advantage is that the demised premise is on one level (grade) for operational efficiency. The cost is estimated at \$64,000 which includes an allowance for code requirements. The disadvantage is that the property is currently in use as a fire station and not controlled by the district. Transfer would have to be negotiated.

Recommendation:

The review team recommends that the district relocate its central administrative offices to either the district-owned house adjacent to the high school or the Washington Fire Company building.

Value Added Expense: \$22,000 - \$64,000

Energy

The district's utility providers are South Jersey Gas and Connective Energy (formerly Atlantic City Electric). Utility consumption for the 1996-97 school year (last year available) is as follows:

1996-97 UTILITY CONSUMPTION

School	Gas Annual Cost	Electric Annual Cost	Total Cost
John Fenwick Elementary School	\$28,801	\$32,484	\$61,285
	\$.69/sq. ft.	\$.78/sq. ft.	\$1.47/sq. ft.
Salem Middle School	\$37,365	\$35,771	\$73,136
	\$.37/sq. ft.	\$.35/sq. ft.	\$.72/sq. ft.
Salem High School	0	\$273,737	\$273,737
	0	\$2.32/sq. ft.	\$2.32/sq. ft.

The Regional Benchmark as reported in the Annual American Schools and Universities Report (April, 1998) is \$1.37 per square foot for heating and lighting. As indicated above, the Middle School is well below this benchmark and the John Fenwick within 10% of the benchmark. Overall demand at Fenwick should be more as the new wing is air-conditioned (including the library and computer labs). The proposed capital improvements to the "envelope" of the Fenwick School (roofs and windows) should improve the building's energy efficiency and reduce utility costs. Following renovations, the lighting and HVAC costs at this facility should be monitored and necessary adjustments made to assure that the district is incurring minimal utility expenditures.

The district is to be commended for participation in a Natural Gas Joint Purchasing Agreement with surrounding school districts. This assures that, as allowed under deregulation, the schools are realizing the lowest possible market price for fuel. The district also took advantage of energy retrofits (bulb and ballast replacements and demand-side energy management controls) through a "shared savings" contract with the Honeywell Corporation.

The cost of utilities at the high school is substantially above the benchmark. This is driven by three factors: the building serves as a community education facility and is utilized for extended weekday and weekend hours; the entire building is air conditioned; and most significantly, it is heated and cooled by electricity. The district recognizes this expenditure is significant and has been working over the past several years to identify alternative solutions to reducing utility costs at the high school. Under N.J.S.A. 18A, districts may enter 10 year contracts for capital improvements to retrofit buildings with energy efficient systems if the debt for these upgrades can be sustained from energy savings during the contract term and if the contracts conform with the rules and regulations promulgated by the New Jersey Commerce and Economic Growth Commission. In August, 1998, Palisades Energy Services, Inc. completed an Investment Grade Audit (IGA) for the high school. According to their findings, because of the current rate structure for schools with all electric services, it is not feasible to replace existing equipment with gas-fired equipment, supported by energy savings alone. However, the district is continuing to

explore other alternatives. It is currently negotiating with its new utility provider, Connective Energy, to identify an innovative design that will allow for a 10 year payback from energy savings in conjunction with a \$200,000 Cycle 18 Energy Conservation Measure (ECM) Grant from the New Jersey Board of Public Utilities. The matching grant (\$53,000 district share) would provide for geothermal heat pump unit ventilators to replace existing electric unit ventilators in all perimeter classrooms at the high school. According to the grant application, this would result in savings of \$45,875 per annum. The Board of Public Utilities is expected to announce grant awards in February, 1999.

Recommendation:

The district should continue its efforts to secure grants and shared savings contracts to reduce the utility costs at the high school for projected annual savings of \$45,875.

Cost Savings: \$45,875

Property Management

The district owns five parcels of ground, totaling 109.8 acres, within the city limits. Two of these lots are vacant which total 7.53 acres and the remaining 102 acres are spread out among the district's three schools. The high school complex, located on Walnut Street, encompasses 91 acres, while the John Fenwick and Salem Middle Schools sit on 8.6 and 2.75 acres respectively. Of the 109.8 acres, buildings, sidewalks and parking lots cover 19.5 acres leaving the district with 90.3 acres, which need to be maintained.

Of the 91 acres at the high school complex, 75.3 acres are either undeveloped or utilized as playing fields. Looking for ways to utilize all of its assets, the district entered into an agreement with a local soybean farmer to lease a portion of the vacant land. During the 1996-97 school year, 17 acres were leased, at \$45 per acre, which generated \$765. The acreage was reduced by 2 acres during the 1997-98 school year so the district could develop a soccer field. As a result revenues were reduced to \$675. This agreement reduces the area the district maintains to a total of 75.3 acres.

The district employs one groundkeeper to maintain district-owned property. In addition to the district property, the groundkeeper also maintains a portion of the city-owned stadium. Under an agreement with the city, the district maintains all ground located within the fence that surrounds the track and football field. This agreement allows the district to use the field for football games and track and field events. As part of the groundkeeper duties, he is responsible for cutting and striping the fields and game and PA system setup. Depending on the need and growing conditions, custodians at the middle and elementary schools occasionally assist in grass cutting duties.

The position value of the groundkeeper in 1996-97 was \$26,608 and supervision and assistance related costs were \$10,201 for a total salary cost of \$36,809. Other operating costs for materials

and supplies were approximately \$2,500 for the year, which brings the total cost of grounds maintenance to \$39,309. Maintaining 75.3 acres or 3,284,424 square feet of ground at this cost averages out to 12 cents per square foot which is well below the American Schools and University's Facilities (AS&U) average cost of .27 per square foot, and 29 acres per FTE.

The team commends the district for maintaining its grounds in reasonably good condition at such a low rate.

Custodial Services

The function of the plant operations group is to provide custodial services, building maintenance and repairs and groundkeeping. Other functions, which occur seasonally, such as snow plowing and sidewalk snow removal are also provided by the plant operations group.

The district employs a Supervisor of Buildings and Grounds (SBG) to oversee the daily operations of the section. In addition to daily custodial and maintenance functions, the plant manager is also responsible for purchasing supplies and for inventory control. Staffing under the SBG consists of 12 custodians, three maintenance workers and one groundkeeper for a total of 16 full-time employees.

Each school is staffed with four custodians covering two shifts. The day shift is manned by one custodian and the three remaining custodians perform the bulk of work each evening. Each four-man team contains one head custodian. Custodians working the second shift receive an additional 80 cents per hr.

Custodial costs for the 1996-97 school year were \$360,537 for salaries and \$36,033 in operating expenses for a combined cost of \$396,570. Supervisory costs associated with custodial functions were \$19,053 for a total overall cost of \$415,623.

The floor plans for the district's three schools total approximately 216,950 square feet of space. Allowing 5% of the total square footage for miscellaneous areas, the staff is responsible for cleaning 227,798 square feet. This calculates to roughly 18,983 square feet per custodian which is higher than American School and University Facilities (AS&U) average of 17,760. At a cost of \$415,623 this calculates to an overall total cost of \$1.81 per square foot. Custodial salary costs, at \$1.81 per square foot, are below the AS&U averages of \$2.18 per square foot.

Salary Analysis by School

School	Sq. Ft.	Custodial FTE	Sq. Ft./FTE	Position Value	Supervision	Cost/Sq. Ft.
John Fenwick Elem.	53,236	4	13,309	\$138,608	\$6,351	\$2.72
Salem Middle Sch.	76,948	4	19,237	\$109,096	\$6,351	\$1.50
Salem High Sch.	97,613	4	24,403	\$112,824	\$6,351	\$1.22
Total/Average	227,797	12	18,983	\$360,528	\$19,053	\$1.81

While costs are low, so is the level of cleanliness, which appears to be typical throughout the district's schools. On two separate building reviews it was apparent that while floors were clean and shiny, desks, chairs, windows, walls, water fountains, etc. were not at an acceptable level. The rest rooms in the middle school are in need of particular attention.

This condition appears to be a result of poor supervision by the former plant manager. As a result of the board's dissatisfaction with his performance, the plant manager's contract was not renewed. The task of finding a suitable replacement, although difficult, appears to have been successfully resolved. The district hired a new plant manager on August 1, 1998. Through interviews and observations it appears that the new plant manager is capable of the task at hand. He has identified a number of problem areas and has definite ideas for improving morale, raising work standards, restoring accountability, re-prioritizing workloads and instituting a centralized supply ordering and storage program. The district should be commended for its efforts to resolve the short-comings of the plant operations group.

Recommendation:

The district should provide the Supervisor of Buildings and Grounds (SBG) with the computerized program, as recommended in the maintenance section, to monitor and control supplies.

The Supervisor of Buildings and Grounds (SBG) is responsible for overseeing the cleaning and maintenance of each building within the district. He schedules, directs, and teaches, if necessary, the functions that are essential to bring each facility within prescribed guidelines and standards. Successes and failures are directly linked to the SBG.

Within the Salem School District the day custodian at each school is controlled by that school's principal, but the SBG is responsible for his performance. The rationale is that when an emergency takes place the principals want immediate access to the custodians to deal with the problem. While there may be some merit to this idea, it can and often does cause conflicts between a custodian, principal and the SBG. It was reported that some custodians use this situation to their advantage, indicating a task assigned by the SBG cannot be completed due to requests from the principal.

With today's communications capabilities, the SBG can be reached within minutes. By simply working together, school principals and the SBG can accomplish the task at hand harmoniously.

Recommendation:

The review team recommends that the day custodians be placed under the direct control of the Supervisor of Buildings and Grounds (SBG) and that the SBG work closely with each school principal to insure that the daily needs of the schools are met.

ADMINISTRATION & STAFFING

There are presently 11 administrative positions in the Salem School District. Those positions are listed below.

- Superintendent
- Board Secretary
- Director of Curriculum & Instruction
- Director of Athletics, Federal Programs/Special Projects & Affirmative Action Officer
- High School Principal
- High School Vice Principal
- Middle School Principal
- Middle School Vice Principal
- John Fenwick Elementary School Principal
- John Fenwick Elementary School Assistant Principal
- Supervisor of the Child Study Team

Administration

Several times during the course of this review it was suggested that the salary of the superintendent was out of line. It was also suggested that this belief had a direct impact on the community's view of the district and even effected the way some people voted on the school budget. Therefore, the review team decided to take a look at this issue.

A review of districts showed that the salary of Salem's superintendent is in line with similar districts in group two. The mean salary for this group in 1998 was \$110,984, based on NJEA data. Group two districts are K-12, below 3,000 student enrollment. There are currently 123 group 2 districts in the state. For group two, the median salary is \$109,417, third quartile is \$120,000 and the first quartile is \$99,910.

During our review of administrative contracts it was also noted that the board secretary/business administrator did not have a written employment contract. Negotiated contracts between school boards and business administrators are commonplace throughout the state. It is an important tool, which provides both the board and the employee with a clear understanding of salaries, benefits and expectations. It should spell out his/her salary, projected increases, number of vacation, sick, and personal days to be received, holidays to be observed, as well as health benefits, insurance and membership dues to be paid. It should also indicate whether or not sick or vacation days are cumulative and the status of those days upon separation.

By spelling out the terms and conditions of employment the district can avoid potential problems. Conflicts with retiring employees may arise when they do not receive benefits they may have perceived they would get. This could lead to disputes, possible lawsuits and unnecessary legal fees for the district. Contracts tend to foster contentment making for a better working environment for both the board and employee. Currently the business administrator does not have a formal, negotiated, contract with the Salem School Board. The team believes the district and business administrator would mutually benefit from a negotiated contract.

Recommendation:

The team recommends that the board and the business administrator/board secretary begin to negotiate a formal employment contract.

District-wide, the number of students per administrator stands at 144.4 to 1. This is lower than the state average of 166.5 to 1. The number of faculty members per administrator is 12.9 to 1 as compared to the state average of 13.5 to 1.

Student/administrator ratios vary significantly between the three Salem Schools. This is displayed on the chart below.

Student/Administrator Ratios

	Salem	State Average	
Elementary (pre-K – 4)	297:1	329:1	(32 below state average)
Middle	161:1	329:1	(168 below state average)
High	264:1	176:1	(88 above state average)

With one administrator at the Middle School, as opposed to two, the student/administrator ratio would still be seven students below the state average ratio.

Even though the median salary of administrators in Salem is significantly below the state average, the total administrative cost per pupil for this district is, according to the 1996-97 NJ School Report Card, \$121 above the state average. It rose from \$1,034 in 1995-96 to \$1,149 in 1997-98, a significant increase.

Total administrative salaries and benefits for 1997-98 (according to the NJ School Report Card) made up 12% of the total expenditures for the district, which is 1% more than the state average, but 1% less than the previous year (1996-97), thereby showing a marked cost reduction.

Recommendation:

Eliminate the position of assistant principal at the Middle School. The elimination of this position will significantly reduce the total administrative cost per pupil in this district. It will also lower the percentage of the total expenditures, which is made up of administrative salaries and benefits.

Cost Savings: \$61,500

Faculty

According to the 1996-97 NJ School Report Card data, the average class size for the Middle School has decreased from 19.3 (2.6 below the state average) in 1994-95 to 18 (4.0 below the state average) in 1996-97. Also, the student/faculty ratio for the Middle School, during the same time frame, decreased from 11.1 to 1 (3.1 below the state average) to 9.8 to 1 (4.4 below the state average).

Recommendation:

A conservative staff reduction, preferably by attrition, of eight faculty positions at the Middle School level would result in a student faculty ratio of 12.9 to 1, which is much closer to, but still below, the state average. (The state average student faculty ratio at this level is 14.2 to 1.) Such a staff reduction would also bring the average class size for the Middle School (18 students) closer to the state average of 22 students.

The team recommends the district eliminate eight Middle School faculty positions.

Cost Savings: \$252,000

Staff Development

The Salem City School District continually seeks opportunities to participate in shared staff development experiences with other districts in the region. Salem County school districts, collectively, have been successful in obtaining a number of county-wide grant-funded educational initiatives, several of which focus specifically on staff development. Business “partners” have also funded county-wide educational programs.

Curriculum administrators from Salem County districts meet regularly and collectively apply for grant funds aimed at providing staff training, educational materials, student experiences, etc.

It should be noted that Salem County is sparsely populated and as such has a number of small one-school districts. The extensive county-wide curriculum articulation, in which Salem plays an active part, promotes greater participation in funded programs for all Salem County teachers and children.

Recently, Salem County was awarded a new grant entitled “Professional Development for Teachers Working with Children with Disabilities.” This grant provides staff development aimed at preparing teachers to provide more inclusion opportunities for students. Other county-wide grant programs include Goals 2000, School-to-Work, Partners in Science, Youth-Transitions-to-Work, Alternative High School and the ETTC.

During the summer of 1998, staff development initiatives included hands-on-science-kit training (K - 6 science kit materials), and teacher training on the kits funded by Salem County 2000. Each participating district had a teacher for each grade level participate in five-day training on the use of new science materials. These teachers then returned to their respective schools to train their peers.

Initiatives funded through Goals 2000 included three-day authentic assessment training (rubrics). Again, the participating teachers returned to their districts functioning as turnkey trainers.

The School-to-Work Grant funds substitutes so teachers can attend district-defined training. The same grant is presently funding training in work-place-readiness-curriculum activities, including training in “Imaginomics” and “Imaginitis.”

Each year a county-wide in-service day is held whereby teachers from all county districts receive specified training at various school sites. This “job alike” grouping of teachers allows for horizontal grade articulation across the county.

The review team finds Salem’s active participation in these cost-effective grant-writing and staff development initiatives to be commendable. It also demonstrates the cost-effectiveness and efficiency which is commonly associated with shared services.

Clerical Support

The district presently employs 16 clerical support personnel. Efforts are made to cross train where appropriate to ensure coverage due to absences. It should also be noted that the attendance secretaries, in addition to performing functions related to attendance, also function as receptionists, handle phone calls, distribute supplies and perform numerous other tasks (e.g., medical records, disciplinary reports, etc.) The distribution of the clerical staff is as follows:

John Fenwick School

- 1 executive secretary to the principal
- 1 main office secretary
- 1 attendance secretary

Salem Middle School

- 1 executive secretary to the principal
- 1 attendance secretary

Salem High School

- 1 executive secretary to the principal
- 1 secretary to the vice principal
- 1 attendance secretary
- 1 executive secretary to guidance
- 1 executive secretary to child study

Board of Education Office

- 1 executive secretary to the superintendent
- 1 executive secretary to the school business administrator
- 1 executive secretary to the director of special services/
service & curriculum supervisor
- 1 office receptionist/clerk
- 1 payroll secretary
- 1 accounting secretary

Instructional Aides

The district presently employs 17 teacher aides; nine full-time and eight part-time (without benefits). The aides assist with the pre-kindergarten, kindergarten and special education classes.

ATHLETIC PROGRAMS

The Salem School District spent 1.2% of its budget on school sponsored athletics for the 1996-97 school year. This is significantly lower than the four similar school districts used by the review team for comparative purposes in this study.

The following table provides athletic program costs for the past two years:

School-Sponsored Athletics			
Expenditures	1997	1996	Change
Salaries	\$102,094	\$102,808	(\$714)
Professional Services	\$4,032	-----	\$4,032
Professional Technical Services	\$9,622	-----	\$9,622
Purchased Services	-----	\$18,113	(\$18,113)
Supplies & Materials	\$11,113	\$12,707	(\$1,594)
Other Objects	\$16,613	\$15,679	\$934
Total	\$143,474	\$149,307	(\$5,833)

The above chart shows a slight decrease in expenditures (\$5,833) from 1996 - 1997. Salary costs include stipends paid to certified individuals who serve as coaches for various sports. The stipends consist of a five-step scale negotiated for and not increased since the 1993-94 school year.

Professional and Professional/Technical services include security (staff and non-staff), officials and referees, etc. Purchased services include equipment, uniforms, supplies, materials and other objects including medical/trainer supplies, score books, nets, etc.

Medical services are provided by the school physician and coordinated by the school nurses.

For both years, actual expenditures were well below the amounts budgeted for school-sponsored athletics (\$5,112 below for 1996-97 and \$18,289 below for 1995-96).

Recommendation:

Reduce budgeting for the athletic program to a total which is closer to actual costs.

Cost Savings: \$5,000

The Director of Athletics, who is also in charge of federal programs/special projects and affirmative action for the district, supervises district athletics. As athletic director his responsibilities include coordination of the programs, equipment, schedules, arranging transportation for away events, monitoring participation levels in various sports programs and supervising coaches. There is no clerical support.

The district contracts out for an athletic trainer through Salem Memorial Hospital and this person averages about 10 hours of work per week. Coaching positions include:

High School	15 head coaches
	12 assistant coaches
Middle School	2 head coaches

(There are several volunteer assistants at both levels.)

Staff members hold most (approximately 95%) of these coaching positions with some adjunct coaches from out of the district. All must be certified to teach.

The Salem Athletic Program consists of 15 interscholastic sports including cheerleading. The sports are broken down into varsity, junior varsity, freshman and middle school levels, as well as boys' and girls' teams where appropriate. A total of approximately 35% of the high school student population and about 15% of the middle school student population participated in sports activities during the 1997-98 school year.

Both boys and girls soccer have been added to the athletic program at the high school for the 1998-99 school year.

All transportation services for athletics are provided by the same company which provides regular transportation services for the district.

The municipality allows the high school to use the municipal field for its football and track programs.

The Ram Athletic Family Booster Club conducts several fund raising initiatives annually (e.g., concessions at home events, sale of souvenirs), and uses revenue collected to support the school. The club, among other things, purchased a portable PA system for the gymnasium, wind screens for the tennis courts and weights for the weight room. Club members also go out of their way to clean and maintain the athletic field (which is owned by the municipality.)

Extracurricular Activities

Salem's extracurricular activities exist in such areas as student government, theatrical productions, publications, band and chorus. Stipends are paid to teachers willing to sponsor these activities.

The cost of extracurricular activities for school year 1996-97 constituted 0.2% of the total expenditures. This is significantly lower than those of the similar districts used for comparisons in this report. This finding is reinforced by the NJ DOE Comparative Spending Guide, published in March, 1998. According to this publication, Salem's cost per pupil for extracurricular activities is \$154 and constitutes 2.0% of the total comparable cost per pupil. (The state median is \$191.) Among the 55 districts characterized by similar demographics, ranked from low cost to high cost for this category, Salem ranks third.

The following table provides school-sponsored co-curricular activities' costs for the past two years:

Expenditures	1997	1996
Salaries – personal service	\$20,522	\$19,416
Purchased services	\$174	\$129
Transfer to cover deficit	\$5,000	\$5,000
Total	\$25,696	\$24,545

For both years actual expenditures were well below the amounts budgeted for co-curricular activities (\$8,513 below for 1996-97 and \$8,502 below for 1995-96).

Recommendation:

Reduce budgeting for extra-curricular activities to a total which is closer to real costs.

Cost Savings: \$8,000

Driver Education

Driver Education is provided at the Salem High School as part of the health curriculum for all tenth graders. The one-semester program consists of both classroom instruction and driver simulation film instruction. There is no behind the wheel instruction. The instructors are certified teachers.

GUIDANCE

Guidance counseling services are available to all grade levels in the Salem School System. Staffing for the Salem School District presently consists of two counselors and a secretary at the high school level, one counselor at the middle school level and one counselor at the elementary school level.

A significant portion of the counseling resources are expended at the secondary level which is staffed by two counselors and one secretary. The major functions of these counselors included the following for school year 1997-98:

■ student contact sessions	2,467
■ contacts with teachers	477
■ contacts with administrators	473
■ schedule changes	466
■ in-person parent contacts	385
■ telephone parent contacts	378
■ telephone contacts with non-school people	254
■ contacts with CST personnel	172
■ contacts with Vo-Tech personnel	136
■ processing college/scholarship applications	126

Additional functions included in-person meetings with non-students, parent contacts by letter, drafting student recommendations, contacting other high schools, attending CST meetings, scheduling new students, meeting with college representatives, etc. The guidance counselors are also actively involved with testing (HSPT, ACT, PSAT, Iowa Basic Skills, AP Exams), 12 special events (e.g., college fair, eighth grade and freshman orientation, elective fair, college application process, shadowing, etc.), report writing, publications (e.g., course description booklet) and coordinating programs, scholarship applications, classroom visitations, etc.

There is one guidance counselor at the middle school level addressing the needs of a total student population of 322. Approximately 90% of the guidance program in this school, consists of on-going individual and group counseling. With some priority given to special education students (addressing IEP specifications), most students receive counseling as a result of teacher referrals and parental requests, as well as being considered to be “at-risk” or in need of crisis counseling.

Small group counseling (usually four to six students) usually addresses such issues as anger management, peer pressure, attitude, communication, self-awareness, relationships, goals, etc. Large group counseling (usually 15 to 18 students) is thematic (e.g., friendship, career exploration, life skills.) Agencies and/or programs at this level include Big Brother/Big Sister, School Based Youth Services, Health Care Commons, SAFE (Stabilizing an Abusive Family Environment), Junior Achievement and Pupil Assistance Committee (PAC) functions. Other areas of responsibility include testing, grade eight course selection and grade three orientation.

Guidance counseling at the elementary level consists primarily of individual counseling sessions (976 sessions for school year 1997-98). Other common functions include parental contacts (146 for 1997-98), classroom presentation (90) and small group session (88). The one counselor is responsible for addressing the needs of 594 students.

The NJ DOE’s Comprehensive Plan for Educational Improvement and Financing recommends the following counselor:student ratios by level:

High Schools	1 : 225.0
Middle Schools	1 : 337.5
Elementary Schools	1 : 500.0

The Salem School District’s guidance counselor/student ratio at the high school and elementary levels is slightly above the recommendation (1:263 at the high school and 1:594 at the elementary school.

The review team finds that a number of functions being performed, especially at the high school level, go beyond the scope of most guidance counseling functions; e.g., master scheduling, conducting surveys, coordinating numerous school functions/activities and processing progress reports.

Recommendation:

If the district were to proceed with the hiring of a new vice principal to fill the vacant position, the school administration and/or school board should look closely at using this position to alleviate the counselors of functions not commonly performed by guidance counselors. Again, the counselors are already maintaining caseloads well beyond those recommended by NJ DOE's Comprehensive Plan for Educational Improvement and Financing.

Special Education

The Salem City School District offers in-district and out-of-district special education (SE) programs to students classified for special education instruction. In-district special education programs are rendered through a combination of services consisting of in-class support, pullouts, resource center assistance, and self-contained classes. Out-of-district programs are implemented at public and private educational facilities. The district's Child Study Team (CST) handles all special education evaluations.

Special education programs are generally more costly than regular educational programs. Several factors which contribute to the cost of SE are low student/teacher ratios, the use of aides in classroom, intensive curriculum, specialized staffing, and other support services.

Special education programs are financed with funds obtained from local taxpayers and aid provided by state and federal education departments. State aid is based on a school district's SE student enrollment. In order to generate state aid, SE students must be enrolled in an educational program offered by the school district by October 15. SE student enrollment is reported to the Department of Education on the Application for State School Aid (ASSA).

Based on the ASSA filed by the district for the 1996-97 school year, there were 305 students classified for special education instruction. Included in that number were 64 students who were only classified for speech instruction. Of the remaining students, 241 received instruction in-district and 26 students attended special education programs out-of-district. A three-year distribution of special education students is presented in the following chart:

	1995-96	1996-97	1997-98
Sp. Ed. Students on Roll Full-time	91	109	78
Sent Full-time	2	0	14
Sent to Private School	6	9	7
Regional Day School	<u>2</u>	<u>3</u>	<u>2</u>
Total Out-of-District Sp. Ed.	10	12	23

Resource Room	108	120	132
Speech Instruction	69	64	46
Total Special Education	278	305	279

Based on the figures listed above, excluding students classified for speech, an average of 93% of the district's Special Education (SE) students received instruction in-district during the past three school years. In addition, 53% of in-district instruction was provided through resource room programs.

Out-of-District Special Education

Every special education placement a school district makes costs the taxpayer a fee for tuition, transportation and any other support fees necessary to meet a student's unique needs. According to administrative personnel, the district's policy is not to place any SE student in out-of-district programs unless the district is unable to provide an appropriate level of education that is consistent with the student's IEP. Efforts are made by the district to provide as much in-district placement as is possible given the district's limitations.

Based on the team's review of the district's 1996-97 year-end SE enrollment reports and tuition and transportation contracts, the costs of out-of-district placements was as follows:

School Type	Average # of Students	Average Tuition per Pupil	Average Transportation per Pupil	Average Cost per Pupil
Private	7	\$22,367	\$3,091	\$25,458
Regional Day	2	\$18,900	\$1,134	\$20,034
*SCSSSD	19	\$10,513	\$2,838	\$13,351
*Salem County Special Services School District				

Based on the 1996-97 data provided by the district, the average cost-per-pupil placed in out-of-district SE program was estimated at \$16,855, while the district's overall cost-per-pupil (Pre-K to 12) was \$8,251.

As shown in the chart above, the cost-per-pupil enrolled in SE programs provided by SCSSSD was noticeably lower than the other out-of-district placements but still higher than the district's overall cost-per-pupil (Pre-K to 12).

In-District Special Education

Based on the district's year-end SE enrollment reports, the actual special education enrollment for the 1996-97 school year was 282. Included in that number were 42 students that were classified for speech only. Excluding students receiving speech instruction, 212 students attended SE programs in-district while 28 SE students received instruction out-of-district.

The team's review of 1996-97 year-end special education records revealed that 75 SE students received instruction in 10 self-contained classes located within the district's three schools. The remaining 137 SE students received instruction through a variety of pullouts, in-class support and resource center assistance. The distribution of students in self-contained classes for the 1996-97 school year was as follows:

School	Class Type	Age Range	Aide	# of Students	Class Capacity	Available Space
JFS	MH	5 - 8	Y	7	8	1
JFS	EMR	7 - 9	N	7	12	5
JFS	PSH	3 - 5	Y	7	8	1
JFS	PSH	3 - 5	Y	7	8	1
JFS	PI	9 - 10	Y	10	12	2
SMS	PI	10 - 11	N	4	12	8
SMS	PI	11 - 13	N	11	12	1
SMS	PI	12 - 14	N	6	12	6
SMS	PI	12 - 15	N	9	12	3
SMS	PI	14 only	N	7	12	5
TOTAL				75	108	33
Percent of Capacity Used:				69%		

JFS - John Fenwick Elementary School
 SMS - Salem Middle School

Special Education classifications listed in table above are as follows:

- MH - Multiple Handicapped
- EMR - Educable Mentally Retarded
- PSH - Preschool Handicapped
- PI - Perceptually Impaired
- ED - Emotionally Disturbed

In an effort to assist the district in identifying ways to control special education costs, the review team compared the allowable classroom capacity per type of disability with the actual classroom capacity in the district. The team conservatively calculated that 33 additional SE students could have been educated within the district during the 1996-97 school year without hiring any more teachers or aides.

Recommendations:

The team recognizes differences in age grouping or other legitimate circumstances may preclude the district from filling every special education classroom to its capacity. The team is also aware that special situations may exist as a result of the analysis completed by the Child Study Team and that "allowable capacity" means "maximum" number of

students, not “recommended” number of students. However, it is essential that the district carefully consider this matter annually in order to obtain maximum use of resources within the district before commitments are made to outside educational facilities, which tend to be costly. The district must also keep in mind that any placement must be educationally appropriate and consistent with a student’s IEP.

The team believes that the district could realize the following estimated savings by instructing more SE students within the district using existing teachers, aides and classrooms. If the district was to utilize half of the available classroom space, the following estimated savings could be achieved.

Lowest cost for out-of-district SE student	\$13,351
Less: Average cost for in-district SE student	<u>8,251</u>
Total Estimate savings for each returned SE student	\$ 5,100

Total Estimated Cost Savings: 16 Students @ \$5,100 - \$81,600

TECHNOLOGY

Over the past several years, administrative personnel have taken notable strides in enhancing and increasing the level of computer technology in the district. This effort has been guided by a five-year technology plan.

The district is in its second year of a revised five-year technology plan that was originally adopted in September, 1995. The plan essentially includes Internet access for every classroom in the district and the schools’ libraries. The plan also includes opportunities for the sharing of resources and technologies between the school and the community. To date, five new computers were placed into the Salem Public Library for community use. These computers have been networked and will soon be on line. This will assist students who do not have computers in their homes. Community members will also have use of these computers. The public library will be connected to the Cumberland County Library System and New Jersey State Public Library System.

The following is an overview of the level of computerization used in Salem City School District:

Business Office

The business office uses a mini-computer (AS-400) for accounting and student information systems. There are file servers in each school and the board office. The infrastructure consists of a local area network (LAN). The district pays licensing fees to Gloucester County Special Services School District for the use of its school budget accounting and reporting system, payroll, personnel information and agency accounting systems. Licensing fees charged for the 1996-97 school year were \$6,887. All staff members have e-mail addresses through Willie-Net of Salem Community College.

The district does not have a management information department nor does it utilize a maintenance contract for hardware/software maintenance. An outside consultant is used on a per call basis to service the district's computer network. The district believes that contracting on a per call basis is more economical than a conventional maintenance contract.

According to administrative personnel, computer proficiency on the part of clerical and professional staff is average. Currently, training is provided annually to clerical and professional staff members to upgrade skills. One goal of the five-year technology plan is to provide all district staff with ongoing training opportunities and to assist them in becoming proficient in all current technologies appropriate to their job responsibilities.

During the 1996-97 school year, computer training was provided by instructors from Salem Community College for all of the district's teachers in the use of the Internet, PowerPoint, and technology curriculum integration. Ten of the district's teachers attended a two-day (12-hour) web page class and used the skills learned from that session to fashion a web site for the district.

Student Records/Attendance

The district has an integrated database for all student-related records, which includes attendance, student's academic progress, discipline records, registers, and guidance service. The system allows for immediate access to a student's attendance and tardiness records. Hence, changes and transfers can be made on the spot. All student records are stored on a mini-computer at the district's high school and can be downloaded at any time to floppy disks.

Computers in District's Schools

The district has wireless communications in place that allow for on-line services to each school without monthly Internet fees. This is accomplished by way of Salem Community College's Salem Center.

IBM compatible computers are used in the district's schools. Software is utilized at each grade level and in many cases infused into the curriculum. As newer technology is introduced, the older equipment is disbursed to other sites within the district. There is virtually no waste regarding computer technology.

John Fenwick School (JFS)

Most of the classrooms at JFS have four networked computers. The networked computers contain a variety of tutorial, drill and practice software. Also, there are stand-alone PCs throughout the school. There are computers for staff on-line use in the library.

Salem Middle School (SMS)

There are three computer labs and a variety of stand-alone computers throughout SMS. Licensed software provides tutorials tailored to the needs of individual students. Teacher management systems are part of these programs and they help to track student progress and to prepare lessons for individual students. In addition, there are four on-line computers for staff use.

Salem High School (SHS)

SHS curriculum has numerous courses specifically related to computer technology, from desktop publishing to a work study program. There are three computer labs at the high school. Two of the labs are in the process of being equipped for the daily instruction by the business department. Each lab will have 20 state-of-the-art computers. Students will use the computers for Microsoft Office, ZIP Desk Folders, scanners, graphics and digital cameras. All SHS students will have a chance to use the equipment. There are varieties of stand-alone computers throughout the school and on-line computers for student and teacher use in the library.

Funding

With the use of designated technology funds including Perkins Grant Money, Improving America's School Act Grant funds, and Distance Learning funds, the district entered into a lottery at a regional Educational Information and Resource Center to buy computers at a discounted price. The district was successful because of this effort and received state-of-the-art computers with new Pentium II micro-processing chips for \$870 per computer. This also includes teacher training and a three-year warranty on each computer. The district was able to use technology grant funds to obtain better quality computers than was originally anticipated. Consequently, the district increased student access to technology beyond what was originally anticipated.

The district received Technology Literacy Challenge Grant (TLC) funds that were used to help finance its technology advancement. The on-line computers in the district's schools were purchased with TLC grant funds.

Recommendation:

The LGBR team commends the district for the innovative methods employed to enhance the level of computer technology used throughout the district. It should also be commended for initiative in obtaining grant funds to defray the costs of the district's technology initiative.

Photocopy Management

During May of 1997, the Salem School District issued a proposal request for the lease of copy machines with bid opening set for May 20th at the board office. A public notice was also posted in a local paper in addition to mailing out the specifications to nine vendors. Eight vendors responded with bids ranging from a high of \$69,000 to a low of \$43,800 based on 2,300,000 copies a year. A motion recorded in the minutes of the June 12, 1997 board meeting indicated the low bid of \$43,800 was accepted. This quote equates to approximately \$.019 per copy.

As a result of the award, during the 1997-98 school year, 13 copy machines were installed in the district schools, which were monitored for use. The distribution of these copiers was as follows:

LOCATION	COPIERS	COPIES
Salem Middle School	2	475,260
Board of Education	4	254,468

John Fenwick	4	805,120
Salem High School	3	1,199,669
TOTAL	13	2,734,517

The total copy count for the 1997-98 school year, 2,734,517, exceeded the contracted amount of 2,300,00 by 434,517 which was billed out at \$.011 per copy or an additional \$4,780 for a total cost of \$48,580.

In addition to the 13 monitored copiers, the vendor also provided the district with 12 additional copiers, which the vendor classified as older, outdated units. These units are not monitored for use, and the district does not incur per copy charge or monthly rental fees. It does, however, incur any repair costs if required. Usage of these machines is reserved for draft work where clear copies are not required. Since these units are not monitored, it is difficult to determine the actual number of copies produced by these machines. Reported estimates are approximately 100 copies per machine per month for an accumulated total of 14,400 for the year. Adding these copies to the 2,734,517 copies made on the monitored machines would give the district a total copy output of approximately 2,748,917 per year.

During June of 1997, the State of New Jersey issued a cost-per-copy (CPC) contract, which is available to all political subdivisions. This allows the users to pay for photocopies not photocopiers. Under the contract the vendor provides the user with the copier and all supplies and service needed with the exception of paper and staples. The contract is broken into band segments covering copies-per-minutes (CPM) and guaranteed monthly minimums. Band segment one starts at 12 to 20 CPM with a monthly minimum of 1,000 copies to band segment seven which covers 81 to 90 CPM with a monthly minimum of 45,000 copies.

Based on the district's yearly output, the district would qualify for copiers in band segment five, 56 to 65 CPM with a monthly minimum of 18,000 copies. Band segment five cost-per-copy is at \$.00925 per copy, or \$.00852 less per copy than the district's current contract. At the district's current output, 2,748,917, a yearly savings of \$23,153 could be realized. Over the life of the three-year contract the district could save \$69,459.

Recommendation:

At the end of its current three-year contract the district should consider using the state's cost-per-copy contract.

Cost Savings: \$23,153

LIBRARY

The Salem City School District employs three librarians/media specialists, one for each of the district libraries. One is located at the high school, one at the middle school and one at the elementary school. The district librarians hold a monthly meeting to share issues, concerns,

functional activities, etc. In addition, they are in contact by phone or in person throughout the school year, as needed.

The three school libraries are part of the South Jersey Regional Library Cooperative (SJRLC). Services provided by this organization include interlibrary loans of resources, discount rates for on-line services (Ebscohost, Electric Library, etc.), a call-in reference center, and workshops for continuing education in technology (usually free of charge). The high school receives books, information packets, etc. from SJRLC offices via Comet Delivery three times per week. The high school librarian, in turn, passes items on to the other librarians.

Youth Services, which is part of the SJRLC, has a book evaluation program to which the high school librarian has belonged for several years. She reads books and writes reviews that are sent on to the publishers. In return, the librarian receives one half of the total number of books she reviews. The books received are books of her choice.

The high school librarian belongs to such organizations as the American Library Association (ALA), the American Association for School Librarians (AASL), the New Jersey Educational Media Association (NJEMA) and the Tri-County Library Association. Membership in these organizations provides discounts on library resources for both professional staff and students; keeps the librarians abreast of current library and technology issues highlighted in periodicals; and puts the librarians in contact with area librarians as well as librarians throughout the state. These organizations also offer members workshops and conferences, which promote professional growth.

Channel 1 (Whittle Television Programming) is shown to high school students each morning with current news and featured story lines. The high school is given the right to record educational programs across all subject areas. Recordings are shared with the other district schools upon request.

The Salem City Library is very cooperative in serving student needs and addressing requests of the school librarians. Also, this library passes down its back copies of Books in Print (an expensive resource) to the high school library. The high school librarian then passes copies down to the middle and elementary school libraries.

The district librarians use state-contracted companies (whenever possible) to purchase needed resources for the library.

The LGBR team believes that the district library system is operated in an efficient and cost effective manner, and we commend the district.

BASIC SKILLS INSTRUCTION (BSI) PROGRAM

The purpose of Salem City School District's Basic Skills Instruction (BSI) program is to assess the student's difficulty and provide essential remediation so that the student understands and

assimilates the material and subsequently performs well both in classroom instruction and standardized testing.

Students are selected to participate in the BSI program as the result of standardized test scores, classroom performance, teacher recommendation and parent request. Tests used to assess prospective students include the Iowa achievement test, Elementary School Proficiency Assessment (ESPA), Early Warning Test (EWT), and the High School Proficiency Test (HSPT).

The BSI program provides integrated instruction and supplementary activities within the regular classroom setting. The basic skills teacher and the classroom teacher plan the lessons together and are both working the classroom during the lesson.

The BSI program is implemented at the district's elementary and middle schools through a combination of inclusions and pullouts. The pullout component of the BSI program is used when it has been determined that the student would benefit from one on one or small group instruction. At the high school, self-contained classes are provided for HSPT Prep Language and HSPT Prep Mathematics. Each of the students has an Individual Student Improvement Plan (ISIP) and lessons provide for individual and group instruction.

BSI is provided to the district's non-public students through contracts with Gloucester County Special Services school district for students attending St. Mary's School. St. James students are serviced using computer-aided instruction by St. James staff. The district uses Title I revenue to pay for these services.

Basic skills teachers, principals and guidance counselors monitor students' progress in the BSI program. The monitoring process is accomplished by maintaining folders for each BSI student. The folders contain the students' test scores, Individual Student Improvement Plans (ISIPs), work samples, communication with parents, and progress reports. The review team was made aware of the lack of parental involvement in the BSI program. As a result of this, the district's board of education sought to increase the parents' involvement by hiring three parental liaisons at a rate of \$4,000 per year. Their assignment was to go to the homes of these parents and teach them how to assist their children and help monitor their progress. The liaisons' salaries are being paid with district funds: Early Childhood, Demonstrably Impact Aid, Title 1 and Early Childhood grant funds.

According to district records, 790 students in grades pre-K through 12 received basic skills instruction during the 1996-97 school year. The program was staffed with nine teachers during that year. The BSI program is operated with funds provided by the district and Federal Title 1 funds. The following is a breakdown of the cost and funding of the BSI program for the past two school years:

Basic Skills/Remedial	1995-96	1996-97
Salaries – Teachers	\$248,254	\$257,537
Salaries as % of Total Expenditures	23.6%	24.0%
Rentals	164,919	139,986

General Supplies	10,117	6,967
Other Objects	714	0
Total State Funds	\$424,004	\$404,490
 Total Federal Funds	 \$628,418	 \$668,212
 Grand Total	 \$1,052,422	 \$1,072,702
Total Students	669	790
 Cost per BSI Student	 \$1,573	 \$1,358

Finding:

The team's two-year comparative review of the BSI program revealed that for the 1996-97 school year, the district was able to provide basic skills instruction to an additional 121 students at a per student cost of approximately 14% less than the year before. The team believes the administrative staff should be commended for its efforts in controlling the cost of the program. The reduction in per student costs is not related to how effective the program was in accomplishing its mission.

Bilingual & English as a Second Language (ESL)

The LEP (limited English proficiency) student population in the Salem School System is minimal, consisting of only 20 students out of a student population of 1,431. The ESL program has been consistently small in this system.

1995-96	-	15 students
1996-97	-	15 students
1997-98	-	8 students

Of the 20 students currently in the ESL Program, 15 speak Spanish and 5 speak Chinese as their primary language.

The district is currently looking for an ESL instructor. The former ESL instructor is presently teaching Spanish at the high school, due to the inability of the school system to find a teacher to replace the previous Spanish teacher.

The distribution of the ESL students is five students in the high school, six in the middle school and nine in the elementary school. Instruction is provided via "inclusion" by the Spanish teacher in the high school and basic skills instructors at the middle and elementary school levels.

The typical bilingual/ESL student remains in the program for three years before exiting. Some students exit earlier, depending on their English proficiency before entering the district. There have also been some cases where students needed an extra year or two to exit the programs.

To exit the program students must pass the State English Proficiency Test (LAB - Language Assessment Battery) at the elementary level or the MAC - Maculitis Assessment Program at the secondary level. Other criteria include results on Iowa Achievement Tests, Early Warning Tests, High School Proficiency Tests, teacher progress reports, reading levels and teacher recommendations.

Special Education Medicaid Initiative (SEMI)

The Special Education Medicaid Initiative (SEMI) is a joint project of the Departments of Education, Human Services and Treasury. The program is designed to claim Medicaid reimbursement for certain related medical services provided to eligible special education pupils in a variety of settings including school districts.

The district has significantly improved its program over the last two completed years. This is demonstrated by the increases in revenue. From state fiscal year 1997 to 1998 total revenue went from \$12,768 to \$20,800 for an \$8,032 or 62.9% increase. From the beginning of the SEMI Program in 1996 through October, 1998, the district received a total of \$44,204.

Compared to districts with a similar size SEMI Program, the district does a very good job in identifying eligible children and receiving reimbursement for services provided by the district. The Special Education Director runs the SEMI program and has been in the district many years. Her knowledge of the children and parents and her commitment to run a good program are the major reasons for the district's success. Several examples demonstrate these points. First, any time a Child Study Team meets it determines if the child is a potential Medicaid recipient and the team obtains the needed parental consent forms. Secondly, when parents say they will provide information at a later date or mistakenly provide inaccurate information the director works closely with parents to obtain the needed information. Third, the director requires service providers to report weekly on all services provided to eligible children. According to the director, documenting services on a weekly basis helps to keep everyone current and reminds the staff of the importance of the SEMI Program. Fourth, the district processes turn around documents as soon as they are received from the vendor rather than holding them as is sometimes done. This is an excellent practice that other districts should follow.

In terms of services claimed, the district takes advantage of available options to claim for a variety of services such as OT, PT and contracted private, out-of-district placements for the handicapped.

While the district does a very good job it can do even better in two areas. First, the district does not currently claim for providing medications to SEMI children. This is a relatively easy task because nurses are already required to document the dispensing of medications. Of course, the need to dispense medications needs to be in the IEP as noted in the SEMI Handbook. Secondly, the district only started claiming for speech services beginning this year. They did not claim for speech services in earlier years because they had a speech therapist who complied with DOE but not with Medicaid requirements. This person has recently received the necessary credentials. This will bring in additional revenue to the district in school year 1999. However, the district

could have claimed for speech in prior years by using the option provided by Medicaid which enables a speech therapist to work under the direction of a Masters level speech or language therapist. This option is noted in the SEMI Handbook.

Recommendation:

The district should begin submitting claims for nursing services as soon as the IEPs are updated and procedures are in place to document these services. In addition, the district should continue its new effort to claim for speech services and be prepared with an alternative plan in case the currently certified instructor leaves the district and is replaced with someone who does not meet Medicaid requirements. These changes should help to make a very good program even better. We estimate that claiming for speech and medical services will increase district revenue by approximately \$5,000 per year.

Revenue Enhancement: \$5,000

Sending/Receiving Tuition

The Salem School District maintains receiving relationships with Quinton, Lower Alloway, Elsinboro, and Mannington school districts to educate their 9th through 12th grade students. Tuition rates charged to the districts for the 1996-97 school year are based on audited high school rates for the 1994-95 school year. Tuition rates charged during the 1996-97 school year were as follows:

Full-time Regular	\$6,952	Shared-time Regular	\$3,476
Full-time Special Ed.	\$8,646	Shared-time Special Ed.	\$4,323

It should be noted that as the result of the State's Department of Education review of the district's costs per pupil for the 1994-95 school year, the certified costs per pupil for tuition adjustment purposes were \$6,940. During that school year the sending districts were billed an estimated tuition rate of \$7,383 based on projected budget figures. Based on the actual daily enrollments for that year, the tuition for each of the sending districts was adjusted. Any differences in tuition will be credited to each sending district for the 1997-98 school year.

All costs associated with educating the sending districts' students are paid in accordance with the terms of each district's respective tuition contract. The terms of all tuition contracts require payment of 1/10th of the projected tuition over a ten-month period beginning in September and ending in June of the school year.

Findings:

The review team's analysis of each sending district's payment schedule and discussions with the district's business administrator revealed that each district diligently followed their respective payment schedule.

III. COLLECTIVE BARGAINING ISSUES

Health Benefits

Under the current program, eligible employees have the option of declining coverage and receiving a percentage of the cost of the benefit as a bonus. Since the group is not with the state health benefits program, this type of flexibility is permitted. At the present time the district is paying 24 employees \$2,505 each in lieu of providing health insurance. An alternative to this approach is to require employees to pay for a percentage of the cost for other than single coverage. This would require negotiations with the bargaining unit but the potential savings are significant. As a result of this practice the district realizes a saving of \$90,180 based on the traditional coverage cost which is the most expensive of the plans available. Based upon the current membership in the plan, the district would realize an additional saving of approximately \$83,916 by instituting a 20% co-pay for other than single coverage.

In Salem County there are few alternatives to the network in place in the district. According to the broker, other insurance carriers have had a difficult time enrolling doctors at a reasonable discount to make the network competitive. The district does have a significant proportion of employees (72.5%) participating in the preferred provider option of its package as is indicated in the following table:

Plan/Level of Coverage	Preferred Provider	Traditional	HMO	Total
Single	28	7	3	38
P/C	15	4	6	25
H/W	22	4	1	27
Family	59	15	7	81
Total	124	30	17	171

The district can seek savings in other areas of the health benefits program as well. Presently, there is a \$5 co-pay for the preferred provider network and a \$100/\$200 deductible for both the traditional plan and the PPO. The HMO has no deductible. If the district were to negotiate higher co-pay schedules and out of network deductibles, the district could further reduce costs. For example, a deductible of \$250/\$500 and a co-pay of \$10 would result in savings of \$125 for each single subscriber and \$225 for all others per year. (28 @ \$125 = \$3,500–96@ \$225=\$21,600). The total saving would be \$25,100.

Prescription Plans

The prescription utilization for this district appears to be higher than other districts reviewed by LGBR. The loss ratio for the district was higher than average when compared to other districts. Currently the district has a \$5/Generic and \$10/Brand Name co-pay arrangement with its employees. The broker has attempted to place the plan with several other carriers but has had difficulty insuring this group at a reasonable rate because of over-utilization. During the last

renewal period, a prescription company agreed upon a rate and then pulled back the offer, leaving the district without coverage. The broker was able to place the coverage with the former provider but, unless utilization decreases, the board will continue to have problems in this sector of the benefits marketplace.

There are approaches that the board can explore to control costs in prescription coverage. The district should meet with the broker and the pharmacy administrator to discuss strategies designed to control costs within the group. The district spent approximately \$115,000 on prescription costs for the 1997-98 school year. One method that is being used in the private sector is an “other than generic” co-pay. The insured is given an opportunity to use generic medication when such a substitute is available. If the insured chooses the generic medication the patient pays a \$5 co-pay. If the patient chooses the brand name then the patient pays the difference between the generic medication and the brand name. Studies have estimated that this type of plan design can result in a saving of approximately 10%-15% of the cost of the plan (\$11,500 to \$17,250).

Another method of containing cost is to place a cap on prescription costs per employee of \$3,000 to \$5,000 per year. The potential saving resulting from such a cap could be substantial and would encourage generic utilization. These savings are estimated in the 15% - 20% range which would result in savings of \$18,000 - \$24,000.

Recommendations:

- 1. The district should make a commitment to a risk management plan and implement the steps recommended in this report and the recommendations of the insurance company to improve safety and to reduce its losses through preventive measures.**
- 2. The district should negotiate a 20% co-pay for “other than single coverage” for health benefits. This would result in a saving of \$83,916 and it could be done in addition to the payment in lieu of coverage arrangement, which currently exists.**

Cost Saving: \$83,916

- 3. The district should negotiate an “other than generic” provision in the prescription coverage agreement, which would result in savings of \$11,500 to \$17,250, based on the premium cost of \$115,000.**

Cost Saving: \$11,500 - \$17,250

- 4. The district should consider capping prescription costs in the range of \$3,000 to \$5,000 per insured and perform reviews for patients with a high drug utilization in order to normalize their costs within the plan guidelines. There will be circumstances when a patient will require higher prescription utilization than others found within a group. Under these circumstances the prescription administrator should take an active role in reviewing the claim history and making recommendations to the plan and to the doctor**

if changes are necessary. The savings that can be realized by limiting and or reviewing high claims could result in a 15% saving or \$18,000.

Cost Saving: \$18,000

IV. SHARED SERVICES

Tremendous potential for cost savings and operational efficiencies exists through the implementation of shared, cooperative services between local government entities. In every review, Local Government Budget Review strives to identify and quantify the existing and potential efficiencies available through the collaborative efforts of local officials in service delivery in an effort to highlight shared services already in place and opportunities for their implementation.

Reading Recovery Program - Since the 1996-97 school year, the Salem City School District has participated with other districts in southern New Jersey, in the Reading Recovery teacher-training center conducted by the Bridgeton School District. During the 1997-98 school year, two teachers from the John Fenwick School have participated in this program.

Cooperative Purchasing - The district participates in cooperative or joint purchasing agreements with other school districts. Cooperative agreements exist for transportation, paper, diskettes, transparencies and natural gas. The food management company for the district participates in large scale purchasing of food products with other school districts managed by that same company.

Recreation - The district, in conjunction with the John Campbell Fitness Center, has a reciprocal arrangement for the use of each other's facilities for after school programs and promotional/achievement activities. The district pays a nominal rental fee for the use of the center's gym in lieu of constructing a gym for the John Fenwick School.

For a number of years the district and the municipality have mutually maintained the football field for athletic events. The school district assists in the field maintenance for community sponsored Midget Oaks football and the use of the Salem Middle School gym, library and auditorium for Ministerium youth activities.

Business Management Software - The Salem City School District, along with approximately 50 other school districts, participates as a member in the Educational Management by Computer Center, which is a collaborative effort of school districts to develop and update cost effective accounting, payroll and student software.

Staff Development - The Salem City School District participates with other county school districts in a county-wide in-service day and with Salem Community College for technology training. During the summer of 1998, initiatives included hands-on science-kit training (K-6 science kit materials) and teacher training on the kits funded by Salem County 2000. Each district selected a teacher for each grade level for participation in five-day training on the use of the new science materials. This group of teachers will serve as turn key--training others in their home district and on the county-wide in-service day. Initiatives funded this summer through the Goals 2000 grant included a three-day authentic assessment training rubrics. Participants in this

training will serve as trainers in their own district. Also the Goals 2000 grant provided opportunities for county-wide high school students to receive HSPT Prep classes.

Technology - Through the Technology Challenge Grant, the district has provided the local city library with five computers and the networking of the computers. The community will have computer accessibility for Internet and word/data applications.

Grant Applications - The district participates with the Woodstown, Penns Grove, Pennsville and Pittsgrove school districts in the application, receipt and implementation of various grants, for example, Goals 2000, School-To-Work, Partners in Science, Youth Transitions-to Work, the Alternative High School and the ETTC.

Salem Community College - District high school physics students attend physics labs and college physics seminars at Salem Community College. The community college provides an Internet service, Willie Net, for use by staff and students.

School Based Youth Services - The district participates in counseling, health care and teen parenting activities that are provided by the Salem County Vo-Tech.

Recommendation:

The Salem School District should be commended for the initiatives which have been taken toward cost effective shared services. It is suggested that a committee be established to further develop shared services with: 1) other school districts, and 2) municipal governments. We believe that cooperative agreements could be developed for municipal and school administrative support services, such as insurance and risk management, benefits administration, payroll processing, printing and copying, and processing of purchase order and payment authorizations. Shared services and cooperative agreements should be items for discussions in periodic meetings with municipal and school officials.

V. STATUTORY AND REGULATORY REFORM

The fifth and final section of the report, Statutory and Regulatory Reform, identifies those areas where existing state regulations or statutory mandates that appear to have an adverse effect on efficient and cost effective local operations are brought to the attention of the LGBR team by local officials. It is common for local officials to attribute high costs and increased taxes on “state mandates.” Each review team is then charged with reporting those areas in this section of the report. The findings summarized below will be reviewed by the appropriate state agency for the purpose of initiating constructive change at the state level.

Automation of Health Records

N.J.A.C. 8A:57-4.7, specifically provides that the recording of students’ health information be processed by the school and manually recorded on Department of Health Form A45 – the official New Jersey School immunization record. Any computer-generated document or list developed by a school district is considered a supplement and not a replacement of Form A45.

The district’s administration suggests that the State Department of Health consider easing certain restrictions imposed by statute N.J.A.C. 8A:57-4.7 to allow school districts to use computer software to process student’s health information and to develop other applications on the computer to ease the school nurse paperwork burden. In addition, if school nurses were allowed to utilize computers, more efficient reporting could result at minimal cost and ultimately save time and money.

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